WINNING IN AFRICA

ECOBANK GROUP ANNUAL REPORT

2019

Ecobank

The Pan African Bank

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01

ABOUT US

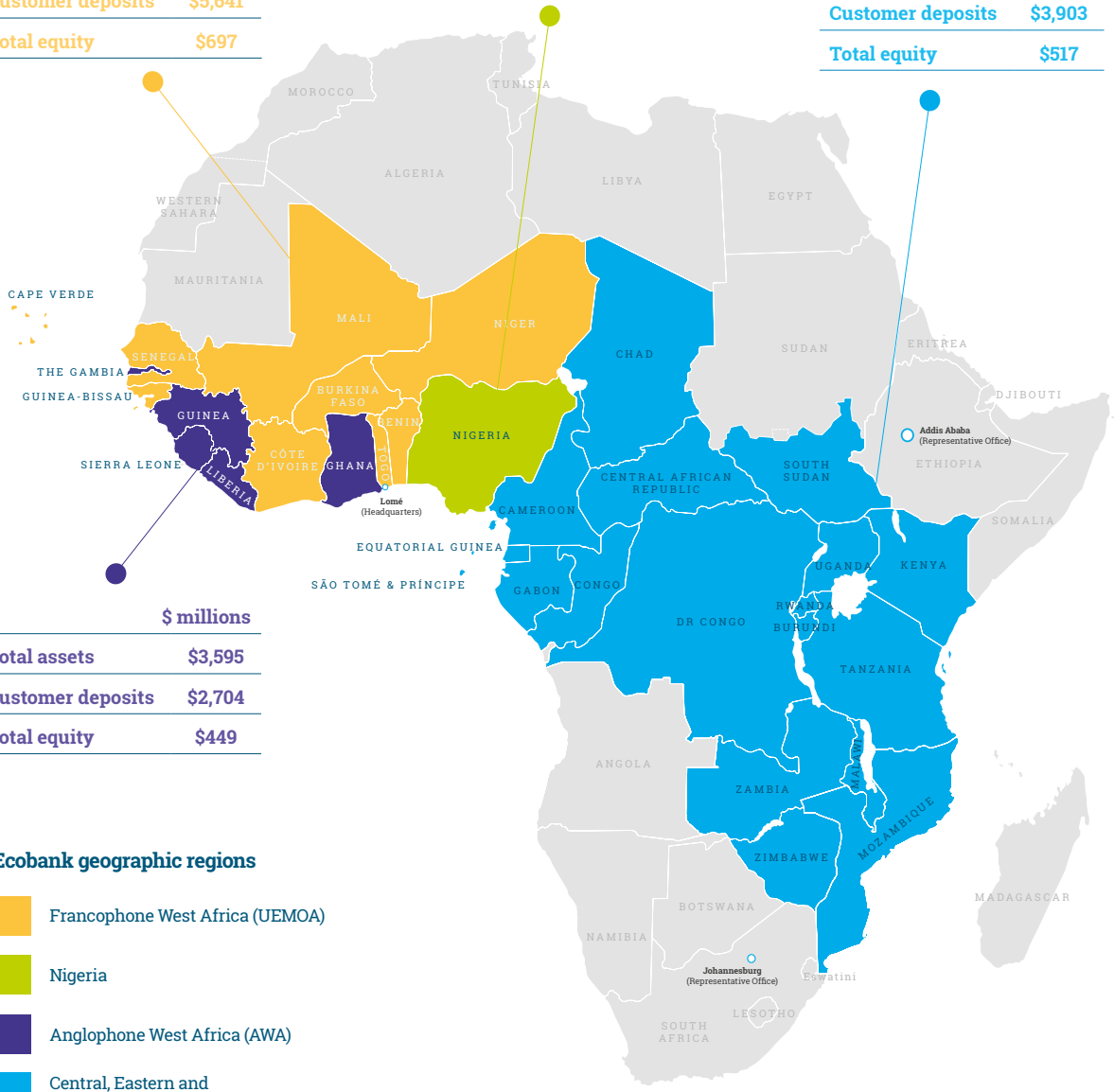
ECOBANK: THE LEADING PAN-AFRICAN BANKING INSTITUTION

	$ millions
Total assets	$8,960
Customer deposits	$5,641
Total equity	$697

	$ millions
Total assets	$5,933
Customer deposits	$3,715
Total equity	$785

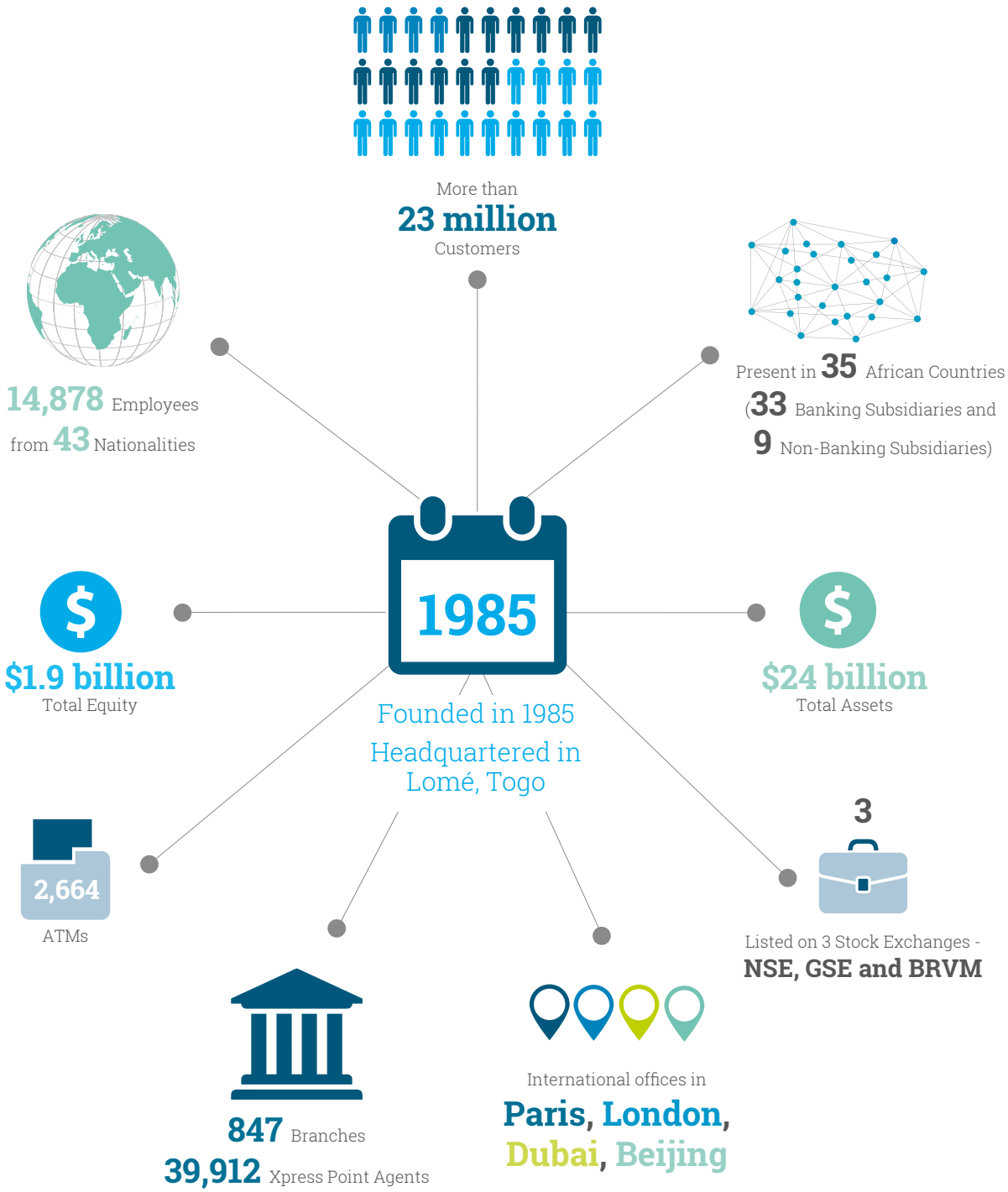
	$ millions
Total assets	$5,598
Customer deposits	$3,903
Total equity	$517

	$ millions
Total assets	$3,595
Customer deposits	$2,704
Total equity	$449



Ecobank geographic regions

- Francophone West Africa (UEMOA)
- Nigeria
- Anglophone West Africa (AWA)
- Central, Eastern and Southern Africa (CESA)
- Non-Ecobank region
- Ecobank representative offices



All figures as at 31 December 2019

OUR VISION AND MISSION DRIVE US

Our Vision

To build a world-class pan-African bank and contribute to the economic development and financial integration of Africa

Our Mission

To provide all of our customers with convenient and reliable financial products and services

ECOBANK VALUES

Respect

I respect every Ecobanker and all our stakeholders.

I respect and value other people's opinions.

I create an environment where Africa's talents can deliver their best work.

I value and respect the communities in which I live and work.

Accountability

I do my work and own the outcomes.

I accept responsibility.

I am not afraid to be honest, own up to my mistakes and stand corrected.

I speak up and encourage others to do the same.

Customer-centric

I strive to exceed our customers' expectations.

I am empathetic.

I am proactive and responsive.

I place customers at the centre of everything I do.

I build positive and trusted relationships with our customers.

Excellence

I go the extra mile.

I strive for excellence.

I am resilient.

I keep learning and delivering results.

I innovate and provide solutions.

Integrity

I preserve my integrity.

I do what I say I will do.

I am transparent, honest and trustworthy.

Teamwork

I value teamwork and collaboration in making a positive difference.

I win with others and not alone.

I support other Ecobankers.

ECOBANK PLEDGE

I am an Ecobanker.

1. I pledge to remain committed and contribute selflessly to the purpose of building a pan-African banking institution to serve our continent today and in the future.

2. I help to transform financial services to make it accessible to all and to use it as an instrument to unlock Africa's potential for the benefit of the continent.

3. Because I know that everything that I do affects my colleagues, Ecobank and the communities we serve, I pledge always to uphold the highest standards of behaviour.

4. I manage the assets and resources of Ecobank prudently and am mindful of our responsibility to ensure the long-term stability of our bank.

5. In everything that I do, I am guided by the best interests of our customers, partners and our organisation. I never demand or accept payment for private gain.

6. I always treat my colleagues fairly and with the honesty and respect that they deserve as fellow professionals. I embrace our organisation's diversity.

7. I champion the sharing of knowledge to learn from it and to grow a culture of problem-solving.

8. I contribute with my full self and with energy, transparency and accountability. I never place excessive demands on others.

9. I understand that we all have a shared responsibility for Ecobank's culture and have to maintain the highest order of ethical behaviour. Because of this, I pledge to speak up with courage if I ever see anything that is not right.

10. I also pledge to accept and welcome constructive criticism — whether from those I report to, or from those who report to me. I know this is how we become stronger together and how we win as one.

I am an Ecobanker
and these are the promises that I make.

OUR PROVEN OPERATING MODEL

Manufacture financial products and services centrally and distribute them locally

Operating Model

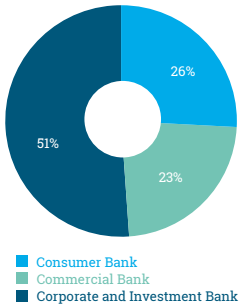
Corporate and Investment Bank	Commercial Bank	Consumer Bank
Products		
• Loans & liquidity • Transaction services • FICC • Securities, wealth and asset management • Investment banking	• Loans & liquidity • Trade finance • Cash management • FICC	• Payments • Liability products • Bancassurance • Rapidtransfer • Debit & prepaid cards • Credit cards • Personal loans • Loans & liquidity
Customers		
• Governments • Regional & global corporations • Financial institutions • International organisations	• SMEs • Medium local corporations • High-value local corporations • Local governments • Domestic NGOs • Faith-based institutions • Education institutions • Healthcare institutions	• Personal banking • Digital banking/microfinance

Geography

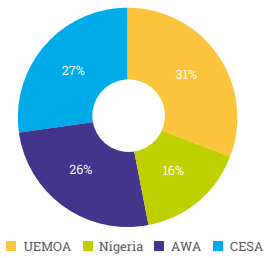
Francophone West Africa (UEMOA)	Nigeria	Anglophone West Africa (AWA)	Central, Eastern and Southern Africa (CESA)

2019 Net revenue = $1,622 million

By business

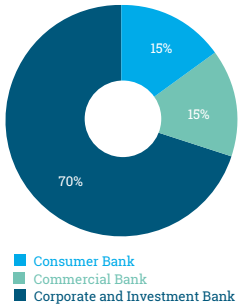


By geographic region

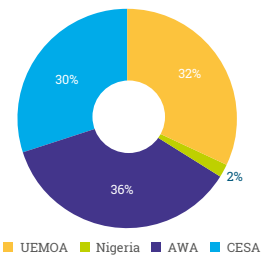


2019 profit before impairment losses and taxation = $549 million

By business

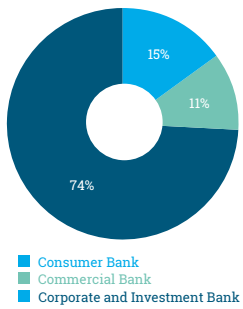


By geographic region

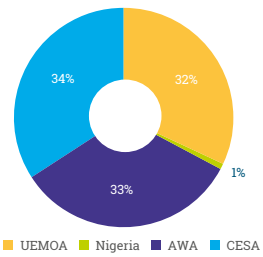


2019 Profit before tax = $405 million

By business



By geographic region



OUR PERFORMANCE

For the year ended 31 December (in millions of US dollars, except per share and ratio data)	2019	Restated[1] 2018
Selected income statement data		
Operating income (net revenue)	1,622	1,825
Operating expenses	1,073	1,123
Operating profit before impairment losses & taxation	549	702
Impairment losses on financial assets	134	343
Profit before tax	405	357
Profit for the year	275	249
Profit attributable to ETI shareholders	194	182
Profit attributable to ETI shareholders per ordinary share ($):		
Basic	0.0078	0.0074
Diluted	0.0078	0.0074
Selected statement of financial position data		
Net loans and advances to customers	9,277	9,089
Total assets	23,641	22,503
Deposits from customers	16,246	15,936
ETI shareholders' equity	1,477	1,457
Total equity	1,886	1,733
Ordinary shares outstanding	24,730	24,730
Book value per ordinary share ($)[2]	0.06	0.06
Tangible book value per ordinary share, TBVPS ($)	0.05	0.05
ETI share price($)[3]		
High	0.04	0.06
Low	0.02	0.04
Period end	0.02	0.04
Selected ratios		
Profit for the year to average total assets (ROA)	1.2%	1.1%
Profit attributable to ETI to average total shareholders' equity (ROE)[4]	13.2%	11.9%
Profit attributable to ETI to average tangible shareholders' equity (ROTE)	16.5%	14.6%
Basel II/III total capital adequacy ratio (CAR)[5]	11.6%	12.4%
Basel II/III Tier 1 capital ratio	8.8%	9.1%
Net interest margin (NIM)	4.7%	5.3%
Cost-to-income ratio	66.2%	61.5%
Non-performing loans ratio	9.7%	9.6%
Non-performing loans coverage ratio	58.3%	76.0%

(1) We restated our 2018 financials to reflect interest income reversal of $79.5 million in Ecobank Nigeria earned between 1 July 2017 and 31 December 2018. This related to legitimate loans granted to some petroleum marketing companies for the supply of petroleum products based on government-related fuel subsidy. The reversal was mandated through a 2019 directive from the Central Bank of Nigeria to all banks with these exposures.

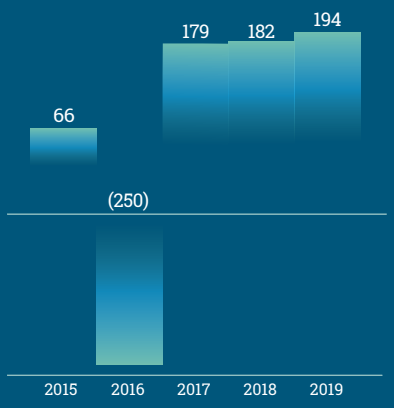
(2) Book value per ordinary share (BVPS) is computed by dividing the Group's shareholders' equity at period-end with the number of ordinary shares outstanding at period-end.

(3) ETI share price on the Nigerian Stock Exchange at period-end converted into US dollars using Bloomberg applicable rate at period-end.

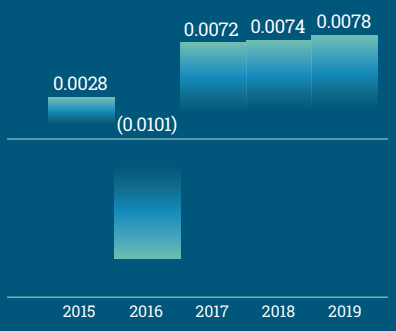
(4) The Group changed its computation of ROE and ROTE to better align the way investors and analysts assess the Group's use of equity. ROE is computed using profit attributable to ETI (parent company) shareholders divided by the average end-of-period ETI shareholders' equity. ROTE is computed using profit attributable to ETI shareholders divided by the average end-of-period tangible shareholders' equity. Tangible shareholders' equity is ETI shareholders' equity less non-controlling interests, goodwill, and intangible assets.

(5) Restatements to the financial statements as at 31 December 2018 have also been applied to the CAR.

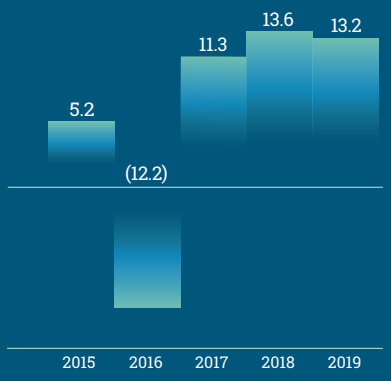
Profit attributable to ETI shareholders ($m)



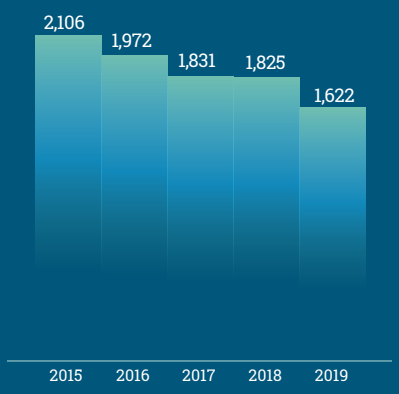
Earnings per share (Basic)
($)



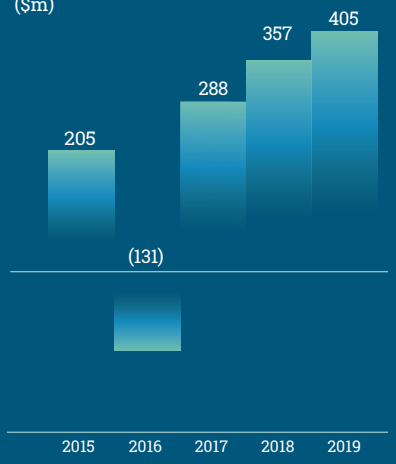
Return on equity
(%)



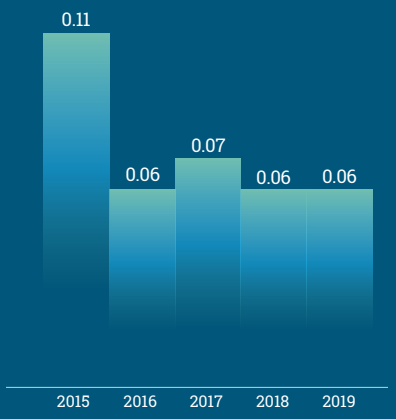
Operating income (net revenue)
($m)



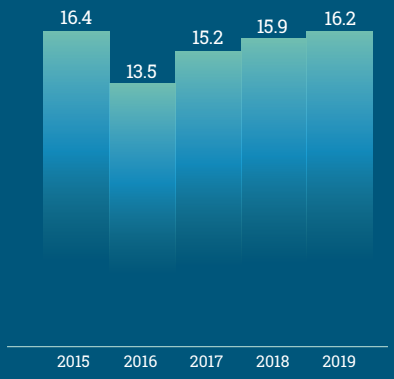
Profit before tax*
($m)



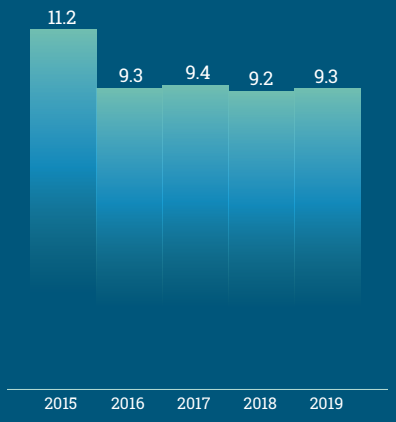
Book value per share (Basic)
($)



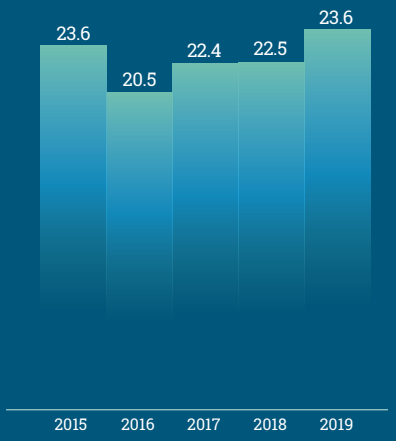
Deposits from customers
($bn)



Net loans & advances to customers
($bn)



Total assets
($bn)



OUR DIGITAL OFFERING

Over **11 million** registered, **$2.7 billion** processed

Send and receive funds, pay bills and merchants, open and manage your account from your mobile device instantly, anytime and anywhere, with Ecobank Mobile.

39,912 agents registered, **$1.7 billion** processed

Conduct simple transactions, such as cash deposits and withdrawals, and other services all conveniently in your neighbourhood at our Xpress Points.

Xpress POINT

EcobankPay

182,426 merchants, **$59 million** processed

Pay for goods and services instantly and securely by simply scanning a QR code using EcobankPay via Visa, Masterpass or mCash, you choose.

Over **405,000** downloads

Send money instantly and affordably to 33 African countries on our new Rapidtransfer App.

omni

24,500 registered businesses, **$22.9 billion** processed

Manage your payments, collections and liquidity for your business efficiently and securely with Omni.

All figures as at 31 December 2019

02

BOARD AND MANAGEMENT

EMMANUEL IKAZOBOH
Group Chairman
Ecobank Group

"We continued to deliver on our core mandate of providing convenient, accessible and reliable financial services to our customers, especially through our digital banking products and service offerings."

GROUP CHAIRMAN'S STATEMENT

Esteemed shareholders,

It is my pleasure to present to you on behalf of the Board of Directors of Ecobank Transnational Incorporated ('ETI'), the Annual Report of our institution's activities and financial performance for the year ended 31 December 2019, at the Group's 32nd Annual General Meeting.

I begin this year's annual letter with a sense of pride about the impact Ecobank is having on the financial services industry in Africa. In 2019, we continued to deliver on our core mandate of providing convenient, accessible and reliable financial services to our customers, especially through our digital banking products and service offerings.

I am also glad to say that Ecobank is in a much better place now following the corporate governance crisis of 2013/14. In the over five years I have been Chairman, we have taken several actions to strengthen corporate governance and reposition the firm for long-term sustainable growth.

We started with the implementation of a 51-point action plan in 2014 to improve our corporate governance and we reconstituted the Board of Directors. Also, we strengthened our capital base by increasing Tier 1 capital by over $500 million and welcomed two new major institutional shareholders – the Nedbank Group and the Qatar National Bank (QNB).

In 2015, we created two additional Board Committees - the Finance and Regulatory Requirements Committee and the Social, Reputation and Ethics Committee. A new Group CEO was appointed, and the Board approved a newly formulated 'Roadmap to Leadership' strategy. A strategy that at its core aimed to deliver through-the-cycle, a return on equity above the cost of equity on a sustainable basis. This was delivered through a revised centrally manufactured and locally distributed operating business model, prudent risk management, operational efficiency and a digital transformation strategy.

In 2016, to address the deterioration in Ecobank Nigeria's mostly foreign-denominated legacy assets, we created the wholly-owned ETI Resolution Vehicle. The vehicle purchased some challenged loans for a cash and asset swap with Ecobank Nigeria. Also, in a bid to effectively coordinate our corporate social responsibility initiatives, the Ecobank Foundation was reinvigorated.

We successfully raised $400 million via a convertible debt issuance in 2017, with a near 100% participation from existing shareholders.

In 2018, we launched the Group Chairman's Sustainability Award to drive sustainable banking practices across the Group. Also, as our digital transformation journey progressed, we created an additional committee of the Board, the Information Technology Committee, to provide a governance structure around our efforts.

In 2019, ETI issued its inaugural $500 million Eurobond, which was oversubscribed and was subsequently listed on the London Stock Exchange's main market. During the year, we also filled several critical job vacancies internally, thanks to improvements in our succession planning framework.

Macroeconomic environment

Global growth remained subdued in 2019, against a challenging backdrop driven by the US-China trade tensions, Brexit uncertainty and rising geopolitical tensions which affected energy prices. In sub-Saharan Africa, GDP growth, excluding Nigeria and South Africa, was impressive at 4%, which was above the growth in emerging and developed economies. In Nigeria, GDP growth was weak at 2.27%, primarily driven by a sluggish non-oil sector. In a bid to get banks to lend and stimulate economic growth, the Central Bank of Nigeria (CBN) announced a minimum loan-to-funding ratio of 60% in September, which it further increased to 65% in December 2019. In addition, the CBN then stated that banks not complying would face a Cash Reserve Ratio of 50%, instead of the 27.5% rate.

Financial performance

Our 2019 results were impacted by three significant items:

- The reversal of $79.5 million of interest income in Ecobank Nigeria for the 18 months to 31 December 2018, which related to legitimate loans that were granted to some petroleum marketing companies. The reversal was mandated through a Central Bank of Nigeria directive issued in 2019.
- The application of the Financial Reporting in Hyperinflationary Economies Standard (IAS 29) due to the economic conditions in Zimbabwe. This led to $9 million net monetary loss in 2019 and a further $8 million from the use of end-of-period exchange rates instead of averages.
- A $10 million negative foreign currency translation impact from your company's exit from Angola, due to depreciation of the Angolan kwanza to the US dollar.

Despite these adverse outcomes and a challenging economic environment, the firm's 2019 results underlined the resilience of our diversified business model. ETI, the parent company, delivered a profit for 2019 of $184 million, a decrease of $138 million from 2018. The consolidated Group generated profit attributable to shareholders of ETI of $194 million, compared with $182 million in 2018. As a result, fully diluted earnings per ordinary share (EPS) rose 6% to $0.0078 (or 0.78 US dollar cents), leading to a return on shareholders' equity (ROE) of 13.2%, compared with 11.9% in 2018.

Furthermore, these results reflect continued expense discipline across our businesses, together with the benefits accrued from the implementation of an aggressive recovery of non-performing loans. The cost-to-income ratio for 2019 was 66.2%, compared to 61.5% in 2018, mainly due to lower than expected revenues. The intense focus management placed on recovering non-performing loans led to recovered loans of $214 million in 2019, compared with $124 million in 2018. The cost of risk, which measures the health of our credit portfolio, consequently reduced to 1.12%, compared with 3.24% in 2018.

The balance sheet grew by $1.1 billion to $23.6 billion, mostly driven by increased holdings in investment securities and lending to other banks and financial institutions. The firm's approach to lending remained cautious, given that the economic environment was relatively volatile. Gross loan growth, as a result, was flat at $9.8 billion. On the other hand, customers' deposit growth was healthy, thanks to deepening engagements with customers via our digital product offerings. Consequently, deposits rose by $310 million to $16.2 billion, with deposits generated in our Consumer Banking leading the charge.

The strength of the balance sheet, measured by the adequacy of capital and liquidity, was reasonably good. Our Group Basel II/III Tier 1 capital and total capital adequacy ratios were 8.8% and 11.6%, both above the minimum regulatory requirements. However, we believe we should further strengthen the balance sheet, especially as the operating landscape becomes increasingly challenging. In preparation, we are evaluating various capital raising options.

Shareholder returns and dividends

Dividends

Your Board will not be paying a dividend for 2019. This decision was taken after weighing up the potential need to further strengthen our balance sheet. We believe, given the current challenging operating environment, that protecting the franchise against an impending economic downturn, regulatory capital demands or a spike in delinquent loans, is a prudent decision.

Share price

Our share price declined by 54% to NGN6.50 on the Nigerian Stock Exchange as of 31 December 2019. It fell 50% and 22% on the Ghana Stock Exchange and the BRVM, respectively.

Major developments during the year

Amongst several milestones achieved by Ecobank in 2019, I should like to highlight the following:

Ecobank signed up to the UNEP FI Principles for Responsible Banking. The principles form a single framework for a sustainable banking industry, developed through a partnership between banks worldwide and the United Nations Environment Programme's Finance Initiative. It consists of six Principles for Responsible Banking, which seek to align the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement.

By subscribing to the Principles for Responsible Banking, Ecobank is publicly declaring its commitment to transparency and clarity in how its financial offerings create value. Also, it demonstrates our passion for aligning our business strategy with society's goals.

Our goal to expand financial inclusion across Africa led us into a strategic partnership with Airtel Africa for the provision of mobile financial services. The partnership will enable Airtel Money customers to have access to financial services through Ecobank's digital ecosystem. Service offerings will include online deposits and withdrawals, real-time domestic and international money transfers, in-store merchant payments, as well as loans and savings products.

Ecobank received the award for being the Best Retail Bank in Africa 2019 at the prestigious African Banker Awards. The award reminds us that we are making meaningful progress towards our goal of meeting the financial needs of our retail customers.

Board changes and corporate governance

The following changes were made to the Board during 2019:

- Mr Deepak Malik was co-opted to the Board as a non-executive director and nominee of Arise BV ("Arise"). Arise became a shareholder of ETI when it bought all of IFC's 14.1% ownership stake. Mr Malik is the Chief Executive Officer of Arise, a leading African investment company backed by three reputable cornerstone investors, namely Norfund, Rabobank and FMO. Arise's core mandate is to partner with sustainable locally owned financial services providers to advance financial inclusion in Africa.
- Mr Monish Dutt, who was the nominee of the IFC, has subsequently resigned as a director.
- Dr Aasim Ahmad Qureshi was appointed to the Board as a non-executive director and nominee of Qatar National Bank. He replaces Mr Abdulla M. Al Khalifa, who had been on the Board since 2015. Dr Qureshi is currently the Managing Director, Investment Banking at QNB Capital LLC. He also holds senior executive positions with QNB Capital in London and Paris. He has over 20 years of experience in senior positions across investment banking, law and medicine.
- Dr Daniel M. Matjila, a non-executive director since 2012, resigned as a nominee of the Public Investment Corporation (PIC), where he served until recently as Chief Executive Officer.

Post the financial year ended 31 December 2019 the following members were co-opted to join the Board:

- Mrs Zanele Monnakgotla, who is bringing 20 years' public and private sector experience in structured finance and strategy, is a nominee of the Public Investment Corporation.

United Nations Environment Programme's Finance Initiative (UNEP FI) Principles for Responsible Banking

Principle 1 Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

Principle 2 Impact & Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have significant impact.

Principle 3 Clients & Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

Principle 4 Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

Principle 5 Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

Principle 6 Transparency & Accountability

We will periodically review the implementation of these principles and be transparent and accountable for the impact of their application on society's goals.

- Dr Georges Agyekum Nana Donkor, who is a lawyer, banker and marketing consultant with over 25 years' experience in senior management capacities across several fields. He replaces Mr Bashir Mamman Ifo as the representative of Ecowas Bank for Investment & Development (EBID) on the Board of ETI. Dr Donkor was recently appointed President of EBID following the retirement of his predecessor, Mr Bashir Ifo.

Priority areas for 2020

In 2019 we focused on capital optimisation, succession planning, improving customer experience and instilling the right Culture, Conduct and Ethics across the Group.

Our overarching goal in capital optimisation is to generate a return on equity (ROE) above the cost of equity (COE). On a Group-wide level, our ROE of 13.2% is below our COE of about 17%. The low ROE of 0.4% for Ecobank Nigeria is the primary reason why Group-wide returns were lower than the cost of equity. In contrast, ROEs generated by our other three regions averaged 27%.

Succession planning has become a core part of our integrated talent review process. It defines the way we run the business and ensures that, at any time, we have developed our bench strength and pipeline of talent. The process is fed by rigorous talent assessment that looks at both the performance and potential of our people performing leadership and critical roles. The strength of this process is increasingly visible, as it enables us to internally fill vacancies for critical positions across the Group. For example, in 2019 most of the vacant roles were filled by talents identified through internal succession and structured recruitment processes. We will continue to grow our internal pipeline and also fill vacancies within subsidiaries with Ecobank talent.

We have identified the need to significantly improve Customer Experience across the Group, including the need for the Bank to be benchmarked against the best in class; ensure the continued stability of our technology platform; and deliver quality products and services to our customers with speed and agility. To achieve this, in 2019, we embarked on a Customer Experience transformation across the organisation. As you know, the customer is at the centre of our business and ensuring that we meet and exceed their expectations is critical.

On Culture, Conduct and Ethics, last year I declared that Ecobank's vision, mission and strategy would be directionless and misguided without the right culture and set of values. At the beginning of 2019, we launched an Independent Culture Assessment programme to assess the culture of our organisation. Following this, we developed a detailed plan of action that will ensure that we build on our strengths and make the necessary changes to address the areas requiring improvement, while also developing the in-house capabilities necessary to maintain a resilient and inspiring organisational culture. A comprehensive report has been received and implementation of the recommendations has commenced. It is expected to take up to 18 months to embed all the recommendations and all the necessary tools across the organisation.

Going into 2020, the strategic focus will remain the same while we continue to follow through on the initiatives that we set in motion in 2019. However, an additional area of priority will be to intensify efforts on fixing our Nigeria business.

We have visibility on the Nigeria legacy portfolio as well as the portfolio post the historical period. Working with the Group, the team in Nigeria embarked on aggressive recovery efforts in 2019, which are yielding some good results. However, there is still a lot to be done. Some regulatory decisions in Nigeria during the course of 2018 and 2019 regarding reversal of income from transactions with petroleum marketers also had a significant adverse effect on Ecobank Nigeria. Nonetheless, the Group continued to stabilise the subsidiary. It is crucial that our investment in Nigeria remains secure while we address the challenges. Some progress is being made with the subsidiary having more visibility in the country, as well as improvements in digital product uptake and progress in the payments and collection space.

Nigeria remains a priority item for your Board with possible solutions being considered in the short, medium and long-term.

Outlook

The coronavirus pandemic is sending shocks through the world's economy and sub-Saharan Africa has already begun to experience the negative impact of the ongoing pandemic. In March 2020 the UN estimated that the pandemic had already cost the African continent $29 billion. Their report also projects that this impact will only worsen as the virus continues to spread across more countries. Our expectation is that many of the economies in which we operate will be adversely impacted and that the businesses we partner with will be facing extremely challenging times ahead. As a result, we expect credit quality metrics to be elevated in many of our countries.

Given this lacklustre backdrop, it is essential that we continue to concentrate our efforts on non-performing loan recovery and credit risk management. Nevertheless, we have been very encouraged by the speed and scale of the uptake of our new digital offerings and we will continue to advance our digital agenda in the coming year. We will partner with our various stakeholders to ensure that our clients continue to have access to vital financial services, while observing strict social distancing and safety protocols during the COVID-19 pandemic. In addition, our organisation will continue to prioritise the enrichment of our customer experience and becoming more data-driven across the Group.

If we pause to reflect on the period since the corporate governance crisis, it has indeed been a difficult few years for the Group. On your behalf, I should like to acknowledge the efforts and contributions of your Board, executive management and staff in making Ecobank a better place.

You may all be aware that I plan to retire as Chairman of the Group at the upcoming Annual General Meeting. I am satisfied that I will leave a company that is capable, prepared for the future and more able to deliver sustainably stronger returns to shareholders than has been the case for many years.

The Group has invested appropriately in digitisation to position it to take advantage of the digital economy. This new financial and operational foundation, together with improved business productivity and performance, should serve it well in the coming years and should enable the share price to rebound from recent discounted valuations.

Finally, since this is my last letter to you as Chairman, it has been a great privilege for me to have served this great firm and you as shareholders, and I thank you for allowing me to do so. I will, of course, continue to serve you until I finally step down. I will also continue to be an ambassador of the company wherever I may be. I commend my proposed successor, Alain F. Nkontchou to you. The Board has made an excellent choice and I have every confidence that Alain will be a superb steward of the Board and the Company.

Emmanuel Ikazoboh
Group Chairman

ADE AYEYEMI
Group Chief Executive Officer
Ecobank Group

"To widen our distribution capabilities and to bring financial services to millions, we continue to build partnerships. Technology has helped to make this possible with innovations like APIs, artificial intelligence, big data and data analytics."

GROUP CHIEF EXECUTIVE'S REVIEW

Fellow Shareholders

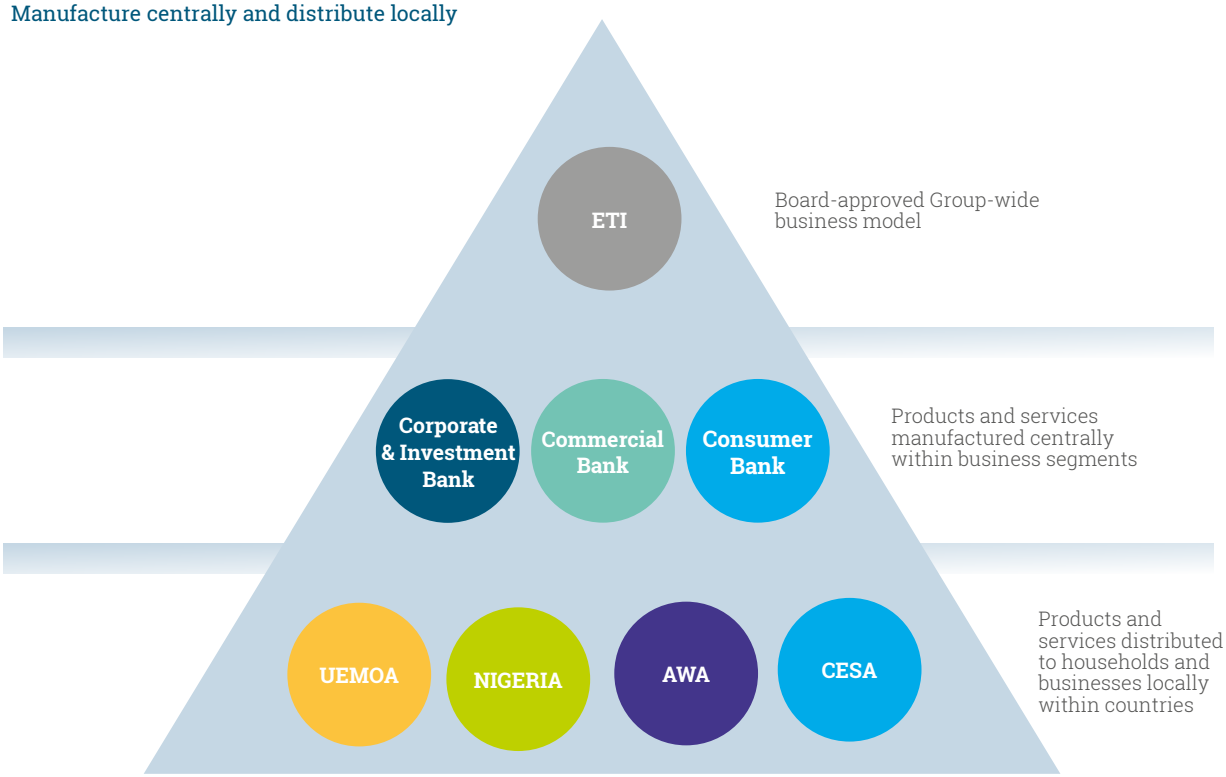
The world is battling with an unprecedented health crisis – the COVID-19 pandemic – and widespread lockdowns have been implemented by nations globally to curb the spread of the coronavirus, slowing social and economic activity. Ecobank stands with the rest of the world in the fight against the coronavirus pandemic and I extend our most sincere condolences to the relatives and friends of all those who have so tragically lost their lives, while wishing all those who are infected a speedy recovery.

At Ecobank our focus is on making sure that we can meet the needs of our customers despite the pandemic, while ensuring their wellbeing and safety, as well as that of our employees. All our countries have successfully activated our business continuity plan in line with the needs of each local environment. As a result of our investments in technology over the years, working from home is seamless and indeed, a prelude to a possible new normal after the pandemic. As the leading pan-African bank, we had no hesitation in embracing the call to duty. With our knowledge of the intricacies of Africa and the urgency of fighting against the spread of the coronavirus, we contributed about $3 million in the form of cash, healthcare equipment and supplies, in addition to mounting sustained and robust awareness campaigns. We are also using our digital banking platforms to provide money to some of the most vulnerable members in our communities.

For the safety of our customers, we continue to adhere strictly to guidance from the WHO, governments and health agencies in operating our physical locations, where they must remain open. We have made it safer to visit our physical locations by ensuring temperature checks, crowd control, physical distancing and hand sanitisers, among other measures. Our ATMs and call centres remain open 24/7, and the full range of our banking services is available via our digital platforMs Ecobank Mobile and Ecobank Online are available to our consumer customers, and Ecobank Omni Lite and Ecobank Omni meet the needs of SMEs and large businesses, respectively. To further help alleviate the adverse impact of the pandemic on our customers, we have waived some of the fees on our digital channels and we are closely monitoring events to anticipate situations that may require our support to customers as circumstances evolve. We have taken steps to ensure the wellbeing of our employees, customers

GROUP CHIEF EXECUTIVE'S REVIEW

Manufacture centrally and distribute locally



and communities in actively seeking to help prevent and reduce the spread of the virus. I express my immense gratitude and appreciation to all Ecobankers for their hard work and dedication to customers in these unnerving circumstances.

As the pan-African bank with operations in 33 African countries, currently serving approximately 24 million customers, we have first-hand knowledge of the effects of the pandemic across sub-Saharan Africa. In recognition of the the impact on a significant sector of African businesses, the Micro, Small and Medium-sized Enterprises (MSMEs), we are co-leading an initiative with the African Union Development Agency-NEPAD, to support MSMEs with technical knowledge, mentoring, knowledge sharing and financial support, to help their businesses survive the pandemic.

I have an enormous sense of pride in Ecobank and what we stand for in Africa. The Ecobank brand continues to resonate positively across our footprint. As I interact with clients, shareholders and investors, I am encouraged by their strong appreciation for our pan-African geographical reach and the enormous untapped potential. They know that our intra-country and cross-border financial products, solutions and capabilities provide significant advantages.

The competitive advantage of our footprint was clear to us when we embarked on our 'Roadmap to Leadership' strategy in late 2015. In this new age of banking, our strategy was formulated to ensure that Ecobank becomes the pan-African bank of the future. To attain this goal, we had to focus intensely upon our digital banking transformation journey, so that we could survive the onslaught of disruptive technology. The success of our transformation journey has made services available to all our customers remotely during this current pandemic.

Before I discuss our 2019 results, I would like to share with you some of the things that we have done on our leadership and digital transformation journey.

Transforming our operating model by manufacturing centrally and distributing locally

To ensure that we have the operational efficiency, flexibility, adaptability and agility required to react quickly to evolving technological trends, we operate our 'one bank' model of manufacturing centrally and distributing locally. With 34 individual banks, it would be inefficient for each to formulate and initiate its own products. Similarly, it would amplify and multiply disparate costs and standards across the Group. Therefore, we manufacture our products centrally to international standards, so that we can use them across all our markets. This approach allows for innovation, scalability

Growing Users and Transactions on our Mobile, Online and Agency Channels

Business segments	Number of Transactions	Value of Transactions	Registered Customers	Active Users
Ecobank MOBILE	Up 50% to 55,416k	Up 78% to $2,693m	Up 24% to 11,177m	Up 48% to 489k[1]
Ecobank Online	Up 274% to 864k	Up 126% to $378m	Up 118% to 384k	Up 45% to 21k[1]
omni[2]	Up 1% to 14,795k	Up 6% to $22,912m	Up 18% to 25k	Up 107% to 8k
omni LITE	Up 1,752% to 186k	Up 2,901% to $368m	Up 70% to 54k	Up 427% to 5k
[3]	Up 977% to 15k	Up 2,358% to $4m	Up 314% to 8k	Up 344% to 6k
Xpress POINT	Up 180% to 2,105k	Up 254% to $1,677m	Up 206% to 39k[4]	Up 53% to 9k

[1] An active user is a user who has completed a transaction on Ecobank Mobile platform within the past 90 days.

[2] Omni was available to our customers in Nigeria and the UEMOA region in 2018.

[3] RapidTransfer app was launched in 2018.

[4] This is the number of third party agents that have registered the Xpress Point app. It includes, but is not limited to, some of the Xpress Point agencies. Note that Xpress Point agents can provide their full range of Ecobank services as an agent of Ecobank without having the Xpress Point app registered in their name.

- Ecobank Mobile is the mobile application channel for Ecobank Mobile banking services
- Ecobank Online is the retail internet banking portal for retail customers; OMNI is the internet banking portal for our wholesale clients (SMEs and larger corporations)
- RapidTransfer app enables remittances to 33 African countries
- Xpress Point is Ecobank's physical agency banking channel

and the unlocking of the benefits of our matrix structure, as well as enabling us to be more efficient and win as one. Our ability to deploy the same Ecobank Mobile app for our customers across all our markets in Africa, with the same standard and world-class experience, is evidence of the power of our operating model.

Driving financial inclusion with digital banking products

Our goal of using digital banking to serve 100 million Africans remains in focus. However, as we currently have about 24 million customers, there is still a lot more to do. Through our critical investments in technology and our strategic partnerships, we have increased our ability to achieve this

GROUP CHIEF EXECUTIVE'S REVIEW

goal at a lower cost-to-serve. Also, our business solutions are scalable and allow ease of integration with third-party providers using our open banking platform.

The Ecobank Mobile app, which we launched in September 2016, was upgraded to version 4.0 in late 2019. This version has features that enable us to expand financial services to the underserved across Africa. For example, a customer can quickly and easily open an Ecobank Xpress Account, on the mobile app, or use USSD, just with a registered mobile SIM card. Once customers on-board, they are open to a world of financial possibilities at their fingertips. Let me note a few.

Xpress Cash enables customers to generate e-tokens on their mobile phones. With the e-token, the recipient can withdraw cash at any of our 2,664 Ecobank ATMs without a debit card, or at any of our 39,912 Xpress Points agents. Also, customers can send and receive money via SMS or email. Additionally, they can transfer money across 33 African countries instantly at a competitive fee. They can also pay their bills, transact by attaching a Visa or MasterCard, and transfer money globally to any Visa cardholder.

Other functions added to improve the customers' experience allow the user to generate virtual debit cards, split bill payments, and block and unblock cards, amongst others.

Dominating the payments ecosystem in Africa

Our footprint and coverage across the continent provide us with the platform to digitalise payments in Africa. The opportunity for us here is massive as a substantial amount of transactions are still made with cash. We have therefore positioned our payments products, EcobankPay QR, Point of Sale (POS) machines, Ecobank Online, Omni and of course Ecobank Mobile to target this. We intend to continue to grow our payment platforms as the preferred pan-African service. Additionally, the mobile app allows customers to make payments via mobile money and money transfers, while also self-creating virtual cards.

Driving both intra-African and international remittances

Remittances are a lifeline for many households in Africa. In recent months, according to the World Bank and the International Monetary Fund, remittances overtook foreign direct investments, private capital flows and aid as the most significant inflow of capital to emerging economies. Despite this, the cost of money transfer is high. With our Africa Rapidtransfer, we have made it significantly cheaper for our customers to send money to their loved ones. As a digitally enabled money transfer solution, it facilitates the instant transfer of funds across 33 African countries. Beneficiaries can receive funds digitally into a bank account, a mobile money wallet, or as cash at any Ecobank branch, Xpress Point or subagent. We are proud to say that we are the only African bank that can currently do this.

We have deployed these platforms to ensure that Ecobank remains relevant to our customers across Africa, and to deliver on our passion and vision to promote economic development and financial integration on the continent. We will continue to ensure that we meet the banking needs of our customers in this new age of digital banking.

Building winning partnerships

To widen our distribution capabilities and to bring financial services to millions, we continue to build partnerships. Technology has helped to make this possible with innovations like APIs, artificial intelligence, big data and data analytics. I will mention a few of the partnerships that are helping us to bring digital banking services to millions of Africans.

We partnered with Airtel Africa, a leading global telecommunications services provider, which is present in 14 African countries and has nearly 100 million subscribers. This partnership allows users of Airtel Money to make online deposits and withdrawals, transfer money, make payments and access savings and loan products, through Ecobank's financial services ecosystem in select countries. Additionally, our Commercial Bank and Corporate and Investment Bank clients can make bulk payments, such as payroll, directly into the mobile wallets of Airtel Money users.

We entered a partnership with MTN that allows, among other things, MTN phone subscribers to access microloans (Xpress loans) using their mobile phones. To gain more insights into the partnerships we are fostering in each business segment's strategy to win, please see the reviews for each of our business segments by their respective Heads on pages 34-46 in this Annual Report.

Building robust IT platforms

Equally important to supporting the customer and business solutions are our IT platforms. We invested significantly in upgrading our Core Banking Application and have now completed the upgrade of our 34 banking subsidiaries to a more robust and versatile version in record time. With a fully encrypted database that cannot be arbitrarily modified, the new version enables us to be agile and meet evolving future requirements. With its web services and application programming interface (API) capabilities, we can broaden our customer base and provide for third-party connectivity.

Protecting our customers' privacy and data

Digitalisation comes with immense benefits for both customers and the Bank. However, it can have adverse consequences from the threats posed by cybercrime and cyber risk. The potential monetary and reputational damage from these threats to the firm could be enormous. Therefore, we have placed tremendous effort and resources into protecting our data and our clients' privacy. We continue to strengthen our cyber and information security teams, while also instituting policies and security measures to detect, prevent and recover

from unforeseen risks. Moreover, through continuous Group-wide knowledge and awareness campaigns, we keep our employees informed on the threats of cybersecurity and defensive standards.

Culture

We recognise that to deliver sustainably on our digital transformation journey, our culture and people must make a distinct difference. In 2019, working with an independent consultant, Principia, 9,103 Ecobankers completed an Ethical Culture Index to help diagnose what type of culture we would need to be sustainably successful. We gained real insight from the survey's results. The survey also revealed the areas where we need improvement and those that we must build on to succeed further. Through an agreed Group-wide action plan, we are implementing the feedback garnered from the ethical culture assessment. The resultant action plan has the strong support of the Board of Directors of ETI and those of our subsidiary companies.

This action plan comprises a framework for ethical decision-making, underpinned with a set of values. These values are - Respect, Accountability, Customer-Centricity, Excellence, Integrity and Teamwork (RACE-IT). The leadership of your Bank have all agreed to live these values in their daily engagements with clients and with other Ecobankers. Also, we have incorporated these values into our Performance Assessment framework. To gain better insight into our values and the Ecobank Pledge, please see pages 10-11 in this annual report.

People

Having the right talent, with a balance of hard and soft skills and a forward-thinking mindset is also critical for our digital transformation journey. As a result, we are providing all Ecobankers with the learning opportunities that will allow them to upgrade their skills through our Learning and Development Academy. For example, we have instituted graduate training programmes in Nigeria, Ghana and Côte d'Ivoire, which we will roll out across the entire Group in due course. Also, with our transition from brick-and-mortar to digital, we are retraining more Ecobankers to take on front-end customer-centric roles.

Transforming customer experience

The experience customers have with the Ecobank brand has become ever more critical in today's digital economy. The proliferation of technology has tremendously empowered customers. Price is no longer an essential criterion. The customer expects their engagement with the company's products and services to be a pleasant experience.

We therefore commenced our Customer Experience Transformation programme in recognition of the need to ensure that we adapt to the changing expectations of customers. This transformation involves using human-centred design principles to redesign customer journeys across all our businesses. We are working with independent consultants to ensure that we adequately address any issues that may be inhibiting our ability to exceed expectations. Some of these exercises include over 4,000 customers and Ecobankers, working together in workshops to design new experiences for our customers. Ecobankers are also receiving customer experience training aimed at building capabilities and shaping desired behaviours. Our senior leadership and more than 800 Ecobankers have already participated in this training. Ultimately, we strive to ensure that we create better outcomes for our customers across all service points and platforms.

I will now turn to our 2019 results and will address some shareholder concerns.

2019 financial performance: profit before tax (as adjusted) increased by $49 million to $405 million

2019 was the year in which we raised $500 million in our inaugural Eurobond issuance which is listed on the London Stock Exchange. As a world-class pan-African financial institution it is fitting that Ecobank can access the international capital market.

Our Eurobond attracted interest from across the globe: investors from Africa, the United Kingdom, the United States, Europe, Middle East and Asia. For us it demonstrates international investors' appetite and approval of our

GROUP CHIEF EXECUTIVE'S REVIEW

sustainable long-term prospects and the successful implementation of our highly relevant and insightful digital strategy.

We are indeed proud of this key message to other strong African brands which positively opens Africa to the world.

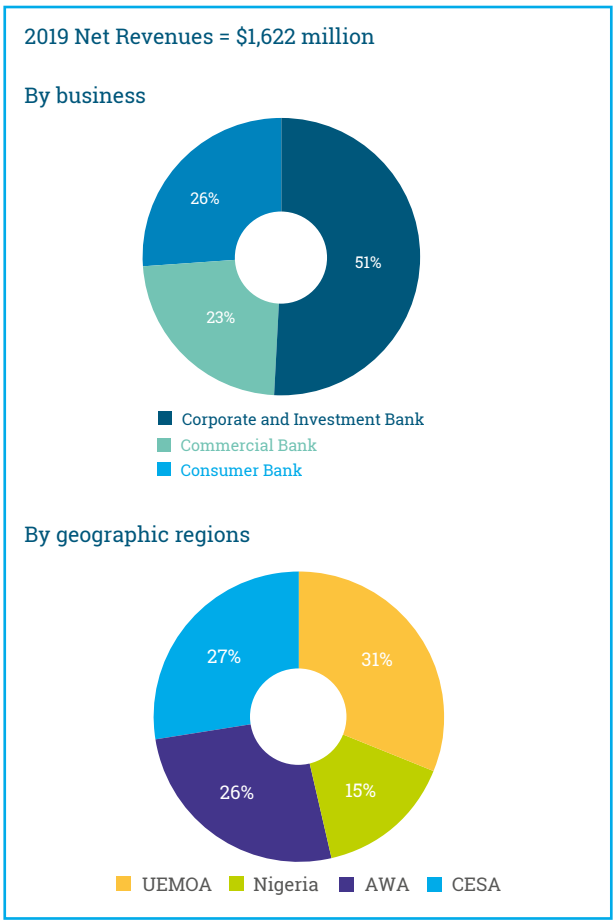
Indeed, our 2019 results reflect the power of our diversified pan-African business model.

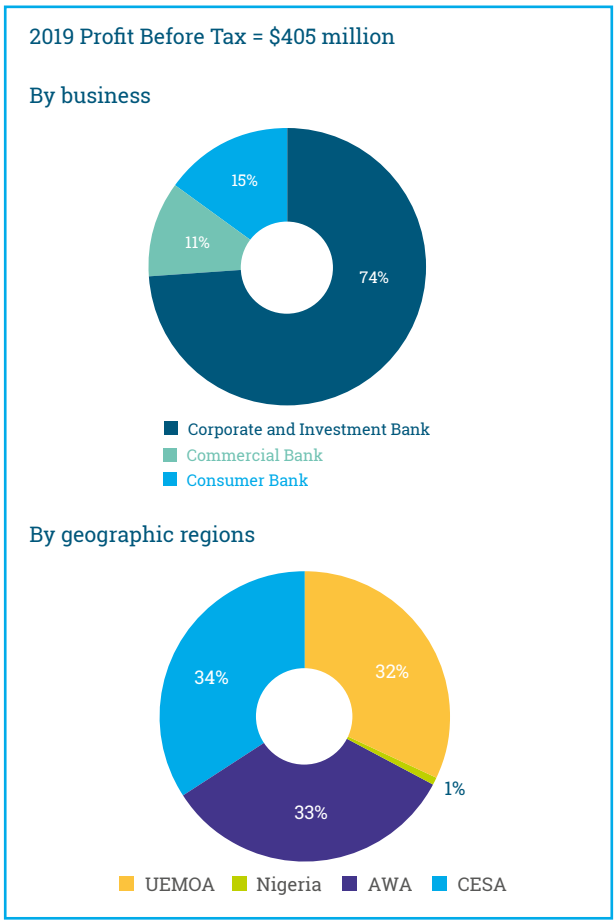
Despite significant one-off items (more on that later), we generated $405 million in profit before tax, an increase of $49 million, or 14%, from 2018. If we were to adjust for the adverse impact of foreign currency translation, growth in our profit before tax from 2018 would have been $139 million. Fully diluted earnings per ordinary share was $0.0078 (0.78 US dollar cents), up 6% from 2018. Tangible book value per share was $0.047 (4.72 US dollar cents), a marginal decline from 2018. The return we generated on our tangible shareholders' equity capital (ROTE) was 16.5%, compared with 14.6% in 2018.

A word on constant currency. ETI's reporting currency is the United States dollar (USD/US dollar). Our subsidiaries report in their local currencies, while we consolidate the results into USD. Constant currency assumes that the US dollar stays unchanged, neither depreciating nor appreciating against the various reporting currencies of our subsidiaries during the period. However, reality does not lend us such a benign outcome. As is mostly the case, African currencies tend to depreciate against the US dollar. When this happens, Group profits drop when we translate the financial results of our subsidiaries into US dollars. Also, the end-of-period balance sheet numbers are impacted. Thus, users of our financial results should evaluate them through the lens of constant currency. This way, they can better appreciate the underlying strength, or weakness, of our franchise.

I have outlined below the significant items that impacted our 2019 financial performance.

1. We restated our 2018 financials to reflect an interest income reversal of $79.5 million in Ecobank Nigeria that had been earned between 1 July 2017 and 31 December 2018. This related to legitimate loans that we had granted to some petroleum marketing companies for the supply of petroleum products based on a government related fuel subsidy. The reversal was mandated through a 2019 directive from the Central Bank of Nigeria to all banks with these exposures. The subsequent 2019



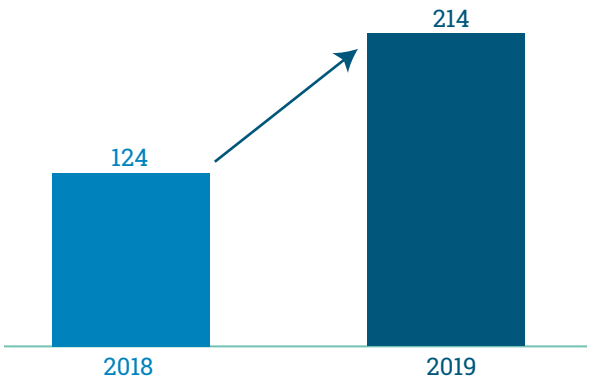


impact on Ecobank Nigeria's revenues was a $52 million de-recognition of interest income on these loans.

2. The authorities in Zimbabwe designated the economy as hyperinflationary as of 1 July 2019. As a result, we had to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), which resulted in a net monetary loss of $9 million in 2019. An additional $8 million negatively impacted profit before tax, coming from the use of end-of-period exchange rates, instead of average rates, in translating the financials in a hyperinflationary economy.

3. We exited Angola in 2019 and incurred a foreign currency translation impairment loss of $10 million from the repatriation of residual capital, due to the depreciation of the Angolan kwanza against the US dollar.

Loan Recoveries ($ millions)



We generated $1.6 billion in total revenue (operating income) for 2019, down 11% from 2018, but up 3% in constant currency, despite the challenging operating environment. We continued to run the firm with a heightened level of expense discipline. Despite an increase in the depreciation cost of right-to-use assets, higher staff-related costs and lower revenues, we still managed to keep our cost-to-income ratio relatively flat at 66.2%, versus 61.5% in 2018.

Balance sheet growth

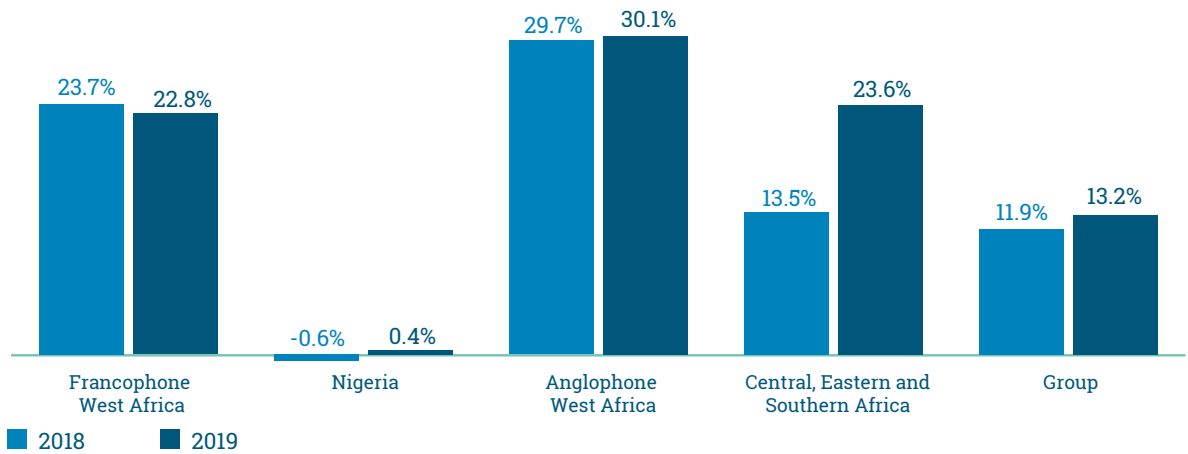
We grew our balance sheet by 5% on a reported basis, or 11% in constant currency, to $23.6 billion, mostly driven by government debt (6%) and lending to other banks (10%). Loan growth, on the other hand, was relatively flat at $9.3 billion. We made meaningful progress with our strategy of aggressively recovering non-performing loans. This strategy led to recovered loans of $214 million in 2019, compared with $124 million in the prior year. However, the increase in recoveries was offset by an increase in non-performing loans that resulted from classification of the loans made to the petroleum marketing companies in Nigeria.

Our customer deposits, which account for 70% of our funding, are the fundamental building blocks of the Bank. In 2019 customer deposits increased by 2% on a reported basis, or 11% in constant currency, to $16.2 billion. Our continued investments in technology and digital deposit products drove the increase in customer deposits.

Steady growth in our business segments

Each of our three lines of business grew their profit in 2019. Corporate and Investment Bank earned a profit before tax of $334 million, up 25% from 2018. Profit before tax at Commercial

Return on Equity by Geographic Region



GROUP CHIEF EXECUTIVE'S REVIEW

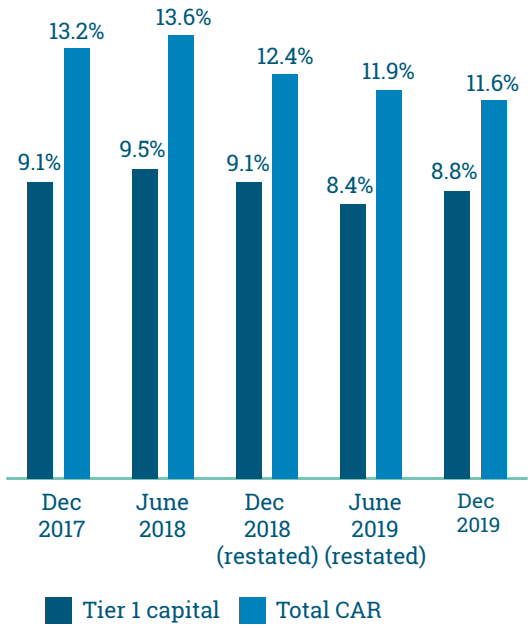
Bank rose 70% to $50 million, and Consumer Bank was up 8% to $67 million. The focus we placed on working constructively with borrowers to aggressively recover non-performing loans, coupled with stringent cost management, led to the increase in profits. Our businesses also benefited from an unrelenting focus on delivery on their strategies and serving their customers. For instance, Corporate and Investment Bank continued to strengthen their cash management and trade finance businesses. Commercial Bank focused on building scale through digitalisation, expanding its revenue base and targeting more small and medium-sized enterprises, while Consumer Bank continued to focus on serving customers using digital and agency banking channels.

ROE benefits from diversification

The performance of our geographical regions was good, except for Nigeria, where performance was below expectation, mainly due to the non-recognition of interest income of $52 million in 2019 on the loans granted to petroleum marketing companies and margin compression.

Francophone West Africa (UEMOA) increased profit before tax by 15% on a reported basis, or 21% in constant currency, to $174 million. Anglophone West Africa increased profit before tax by 20% and 35% in constant currency to $178 million, while Central, Eastern and Southern Africa's profit before tax of $182 million, was up 64% on a reported basis, or 108% in constant currency. On the other hand, Nigeria posted $6 million in profit before tax, compared to a $3 million loss in 2018 (restated to reflect the $79.5 million in interest income reversal).

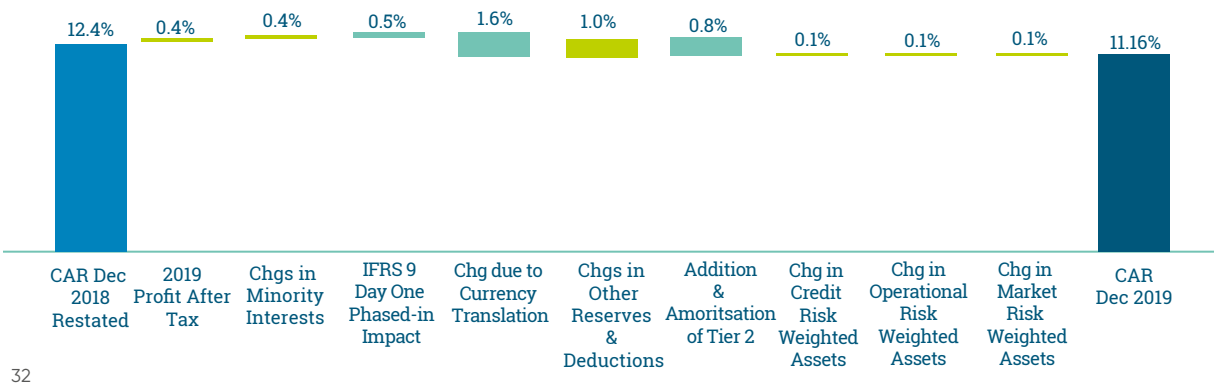
Tier 1 & Total Capital Adequacy Ratios



Key points

- The Group has been regulated under UEMOA Basel II/III standards since 1 January 2018.
- With a Tier 1 CAR of 8.8% and Total CAR of 11.6% as at 31 December 2019, the Group is adequately capitalised versus UEMOA 2020 regulatory requirements, which are 7.875% Tier 1 CAR and 10.375% Total CAR.
- The decrease in CAR from December 2018[1] (with Tier 1 CAR of 9.1% and Total CAR of 12.4%) to December 2019 is primarily due to:
  - the impact of currency depreciations in 2019;
  - the IFRS 9 Day One impact being phased in over the three years from 2018 to 2020; and
  - annual amortisation of Tier 2 instruments, primarily ETI's $400 million convertible bond.

[1]Restatements to the financial statements as at December 2018 have also been applied to the CAR.



Return on equity capital (ROE) was 22.8%, 30.1% and 23.6% for UEMOA, AWA and CESA respectively, with Nigeria posting a ROE of 0.4%. Despite Nigeria's lower-than-expected performance, Group ROE of 13.2% benefited from the better relative performance of the other regions, highlighting the benefits of our geographical diversification.

Capital

Having adequate capital and liquidity provides a buffer against risk. It ensures that the firm can withstand severe economic downturn or credit disruption, without irreparable damage to the business. As a result, our aim is for the parent company and its subsidiaries to have capital above the minimum regulatory requirements.

As of 31 December 2019, the Group's Basel II/III Tier 1 capital adequacy ratio (CAR) was 8.8%, and the total capital adequacy ratio was 11.6%. Both these ratios were above the minimum regulatory levels. We are closely monitoring the situation with our credit customers, based on the potential negative effect of COVID-19 on businesses, to determine actions to take as developments evolve. For now, we are focusing on ensuring stability and liquidity.

Nigeria turnaround

Finally, let me touch on our Nigeria business. It is essential to mention that despite the protracted challenges, we have made significant progress since 2015 to sustain operations. Events in 2019, however, accentuated the problems as has the onslaught of COVID-19. Nigeria's GDP growth of 2% in 2019 was anaemic and our financial results were significantly below expectation. The non-recognition of $52 million in interest income earned on government-related oil and gas loans made to petroleum marketing companies was the main reason for the lower-than-expected profits in 2019. On asset quality, non-performing loans as a percentage of gross loans were 23.9% in 2019, compared with 13.7% in 2018, predominantly driven by classification of the loans granted to the petroleum marketing companies.

Ecobank Nigeria's management team continues to engage with borrowers to recover past due payments, or to provide support by way of restructuring these loans. Indeed, a lot of work is being done in aggressively recovering non-performing loans and strengthening risk management.

Winning in Nigeria remains vital to us. Despite the challenges, we will continue to focus on ensuring that our business there is stable. The country holds massive opportunities for growth as Africa's largest economy and most populous nation. We are focusing our efforts to turn round our Nigerian performance by entrenching the strength of our unique payment platform propositions across our wide footprint and leveraging on this in Nigeria. We are also extensively leveraging our digital solutions to grow revenues and drive deposits. These efforts have started to slowly yield results.

We are critically evaluating our operations to agree on solutions for the short, medium, and long-term. Various options will be considered.

Conclusion

As always, I am incredibly grateful to all Ecobankers who come into work every day to ensure that we serve our customers well. The work they do for the firm and our various stakeholders is much appreciated. Our shareholders, partners and importantly of course, our customers are most valued for their continued support.

2020 is the finishing line of our 'Roadmap to Leadership' strategy, when we will review what we have succeeded in doing, what has worked, what still needs to be fixed and how we can do the things that will properly propel us into a sustainable future. However, the year has not started well with the world outbreak of the COVID-19 pandemic, which is already rendering devastating effects on families, social life and the world's economies. As a pan-African bank that is present in 35 African countries and serves approximately 24 million customers, we have first-hand knowledge of the effects of the pandemic across sub-Saharan Africa, with various countries in some form of lockdown and the grounding of economic activities. Our commitment to the continent however remains unwavering and we will continue to provide as much support as we can to our employees, customers and communities. We must stand with the rest of the world to ensure that everyone does all that it takes to fight against the COVID-19 pandemic and overcome its profoundly troubling and heart-wrenching social, economic and financial impacts.

As we brace ourselves for the uncertainties of what is to come post COVID-19, for now we will continue to ensure the sustainability of our operations in this uncharted territory and stay the course.

Thank you all and please do keep well. We look forward to continuing to work with all our stakeholders, delighting our customers and maximising shareholder wealth.

Ade Ayeyemi
Ecobank Group Chief Executive Officer

NANA ARABA ABBAN
Head, Group Consumer Bank

"In 2019, we expanded our agency banking distribution network. We also broadened our global and regional partnerships and strengthened our digital offerings."

GROUP HEAD'S REVIEW
CONSUMER BANK

The Consumer Bank serves individual clients with strong value propositions, offering deposit, loan and payment products. We deliver our services through two primary lines of business - Personal Banking and Direct Banking. Personal Banking caters for our wealthy and mass affluent clients, whereas Direct Banking focuses on the mass market and youth. In both, we service our customers through our unrivalled footprint of 33 countries in Africa, leveraging digital and agency channels.

Providing convenient, cost-effective and world-class consumer financial services to millions of Africans hinges on our strategy of using digital and agency banking to drive business volumes and profitability. In 2019, we expanded our agency banking distribution network. We also broadened our global and regional partnerships and strengthened our digital offerings.

Increased profits with rapid network expansion

For 2019, we earned a profit before tax of $67 million, $5 million above 2018. Our customer deposits rose $258 million to $5.5 billion, driven by growth in customers, Xpress point agents, as well as transaction volumes on both our online and mobile channels.

	2018	2019	GROWTH
Number of customers[1] (millions)	19	23	21%
Number of accounts (millions)	21	23	10%
Number of Ecobank Mobile transactions (millions)	32	55	72%
Value of Ecobank Mobile transactions (US$ millions)	1,510	2,693	78%
Number of Xpress Point agents	13,913	39,912	187%
Number of Xpress Point transactions (thousands)	750	2,105	181%

[1] Includes account-holding and transacting customers

CONSUMER BANK

Our ambition to reach 100 million consumers with convenient, affordable and accessible financial products and services, saw us expand our Xpress Point agency banking network by 187% to 39,912 agents in 2019. Powered by a mobile application, these agents are located in the neighbourhoods in which our customers live and work. Also, we expanded the services we offer in our Xpress Points from cash deposits and withdrawals to include value added services such as bill payments, remittances, digital account opening and more.

The focus we place on ensuring our customers receive seamless banking through our digital channels is driving a steady increase in digital adoption rates.

Strengthening our customer value proposition

We are always exploring ways to delight and deepen engagements with customers. For instance, for our high net worth and mass affluent customers, one such method is through our loyalty programmes. In 2019, we entered into a loyalty partnership with Hilton hotels which will enable customers in our personal banking segment to enjoy exclusive discounts and perks at selected Hilton properties in Dubai, London and in several cities in Africa. We continue to explore additional loyalty partnerships with international, regional and local merchants to enrich our customers' experience.

For our wider customer base, we introduced exciting consumer financing propositions in some markets, enabling readily accessible financing for purchasing household goods, and also launched savings campaigns, including our 'Super Saver' and 'Save As You Spend' drive, encouraging a savings culture, especially among the youth.

We believe it is essential to build financial literacy and money management skills amongst the youth as they transition into the productive workforce, and to this end, we invested in building the adoption rate of our digital products and services. In this light, the African Union has partnered with the Ecobank Academy and the Ecobank Foundation to develop the skills of 200 youth leaders from 53 member states. This training is part of the development of young professionals across the African continent in support of the African Union chairperson's initiative to create jobs for one million African youth by 2021. Through such initiatives, Ecobank deepens its understanding of the youth segment - the future of Africa.

Expanding financial inclusion

We are committed to expanding financial inclusion and introduced our Xpress Loan product into the market, a digital-only loan product targeted primarily at the development finance segment.

This product leverages fintech partners' digital credit scoring expertise and the reach of mobile network operators, and it has thus far been very well received. In the first six months of launching XpressLoan we served over a million unique users, granting loans worth over $150 million.

Strategic partnerships with telecommunications and fintech firms

Our ambition to meet the financial services needs of millions of customers in Africa led us into critical strategic partnerships with firms from the telecommunications and fintech industries.

We signed a landmark agreement with Airtel Africa in October 2019 to collaborate on expanding financial inclusion across 12 countries where both Airtel and Ecobank have operations. Airtel has 300,000 agents and over 29 million mobile money subscribers in these countries. The partnership includes the issuance of payment cards, facilitating transfers between mobile wallets and the bank accounts of individuals and businesses, micro-savings and loans, remittances via Rapidtransfer and other services.

We also entered an agreement with PalmPay to be their issuing bank for virtual Visa cards. PalmPay is a sister company of Transsion Holdings, which is the top-selling phone manufacturer in Africa. Transsion Holdings plans to pre-install the PalmPay app on 20 million mobile phone devices in 2020. Hence, PalmPay digital wallet holders will have the option to create virtual cards, fund them and use them to purchase goods and services online.

Regulatory approval in the CEMAC region

In 2019, we received approvals from the Central Bank in the CEMAC region, Commission Bancaire de l'Afrique Centrale (COBAC), to introduce our KYC-friendly digital Xpress Account and Xpress Point, our agency network operations, into the market. The region offers us a significant opportunity to expand financial inclusion. We have commenced the rollout of our Xpress Account product while expanding the Xpress Point network. At the end of 2019, we added 605 Xpress Point agencies to our existing network of 45 branches in the region, resulting in a 13-fold expansion of our physical footprint.

Remittances distribution

Our unrivalled footprint across Africa makes Ecobank a top choice for remittance distribution partnerships. Our technology platforms allow us to distribute remittances for any money transfer organisation to over 250 million bank accounts, mobile wallets or for cash pickup at our agent locations in 33 African countries. The combination of

our platform and distribution reach enables cost-effective remittance services, and continues to contribute to the early achievement of the Sustainable Development Goal (SDG) 10.7 to reduce remittance costs by 2030.

We partnered with several new-generation international money transfer organisations, including HomeSend and Transfast. These partners leverage our technology platform and distribution network for the delivery of funds to beneficiaries across Africa.

In 2019, we entered into a partnership with Ant Financial, the fintech affiliate of the Alibaba Group. This partnership provides Ant Financial with the remittance distribution capabilities of Ecobank's footprint. Ant Financial has developed the first remittance service based on blockchain technology, which will allow customers to enjoy the secure, fast and cost-effective transfer of funds between China and select African countries - a service which will become operational in 2020.

Enhanced service delivery

We upgraded our core banking application to improve our service delivery to our customers. This upgrade has significantly increased the functionality and service delivery efficiency for our Consumer Banking customers across our 33 African markets.

Mobile banking improvements

We remain focused on serving millions of customers efficiently and cost-effectively using digital financial services. Our digital payments and collections ecosystem, which is anchored by Ecobank Mobile, our flagship mobile banking channel, is unparalleled in Middle Africa. In 2019, we processed 55 million transactions worth nearly $2.7 billion on Ecobank Mobile, representing a growth of 78% in the value of customer transactions.

Ecobank Mobile app upgraded

Improved Experience
New design provides easy access to most frequently used services

Virtual Cards
Create a virtual card for yourself or loved one to shop online

Split Payments
Split payments with friends or make contributions to causes

Send Money Message
Send money via text or email message

CONSUMER BANK

Furthermore, we released a revamped version of the Ecobank Mobile app with an improved user interface and several new features aimed at delighting our customers. Features in the new version include the issuing of virtual cards, splitting payments and sending money via email or text message.

Today, our customers who want to shop online can create an instant virtual card, fund it and fulfil their e-commerce transactions. Our suite of digital products and channels - Ecobank Mobile, EcobankPay, Xpress Point agent locations, and Xpress products, which include digital Xpress Accounts, Xpress Cash e-tokens, micro-credit Xpress Loans and more - is genuinely delivering options and value to consumers across Africa.

Additionally, we enhanced Rafiki, our virtual chatbot, which is powered by artificial intelligence. Rafiki assists customers with their transactions and enquiries, and is currently available on Facebook Messenger and WhatsApp.

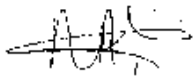
Working together for a brighter future

In 2019, Consumer Bank capitalised on the foundations laid in earlier years to expand its distribution network, develop key strategic partnerships and increase profits.

For the second year in a row, Ecobank won the Best Retail Bank accolade at the African Banker Awards in recognition of its state-of-the-art products, services and constant innovations that meet the evolving needs and expectations of customers across 33 African countries.

We remain committed to strengthening our relationships with our global, regional and local partners including card schemes, international money transfer organisations, mobile network operators, fintech firms and others, as we seek to deliver value to our key stakeholders. We thank our partners for their collaboration and drive to ensure high standards in the provision of valuable services to our customers.

Our activities and efforts are driven by our desire to deliver world-class products and services to the millions of customers who hold accounts with Ecobank and transact on our platforms. We are thankful for their custom and remain committed to continuously improving our service and offerings. I am also grateful for the dedication, hard work and collaboration of my colleagues across Ecobank, and I thank the Board for its strong support. We remain steadfast in our drive to be the premier choice for consumer financial services across sub-Saharan Africa.



Nana Araba Abban
Head, Group Consumer Bank

Exciting update to Ecobank Mobile Available now!

The all-new version of Ecobank Mobile is available now! Featuring our best-ever user experience, smart re-design, helpful new features, faster login and registration.

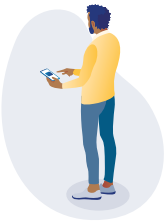
Send money by text or email

Request money easily

Split the bill fuss-free!

Create and share virtual cards

Load your pre-paid cards



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ecobank.com

Ecobank
The Pan African Bank

JOSEPHINE ANAN-ANKOMAH

Group Executive
Commercial Bank

"It is our resolve to nurture SMEs with the utmost care by listening, advising and serving them in innovative ways."

GROUP EXECUTIVE'S REVIEW
COMMERCIAL BANK

Amidst the challenging operating environment of 2019, Commercial Bank remained focused on its core objective of being the partner of choice for local enterprises and entrepreneurs in Africa. Our commitment to their financial success is not only underpinned by Ecobank's vision to contribute to the economic development and financial integration of Africa, but it is also a moral one.

For SMEs, this is particularly important because despite employing millions of Africans, weak corporate governance structures, inability to forecast cash flows and the lack of collateral to access finance, are holding back their growth. Our ability to meaningfully contribute to their financial success and promote sustainable growth through the provision of finance and capacity building, is both exciting and humbling. It is our resolve to nurture SMEs with the utmost care by listening, advising and serving them in innovative ways.

Profit growing

Staying close to our customers, especially during these challenging times, has helped deepen their loyalty and affinity to our brand. Consequently, profit before tax improved, increasing by 70% to $50 million in 2019, and net revenue by 2% to $360 million.

Operating expenses grew by 5% year-on-year, outpacing revenue growth. As a result, the cost-to-income ratio deteriorated marginally from 75% in 2018 to 77% in 2019. This cost-to-income ratio is too high and not sustainable. As we work towards diversifying our revenue sources, we also expect to reduce costs further through our focus on digitisation. In addition, we are tightening the discipline around administrative expenses.

However, we will not limit ourselves to short-term profits in our pursuit of growth. We will continue to make the essential investments that will enable us to exceed our clients' expectations. For example, we have invested in Xpress Point locations, our agency network, which provide our customers with cost-efficient access to more locations, which are convenient, in close proximity to their businesses and allow them to enjoy extended opening hours. We also plan to increase the number of merchants using our point-of-sale (POS) machines as well as those using EcobankPay, our flagship collections platform. We are confident that these initiatives are the right things to do, both for the customer and for our longer-term profit growth. Our dedication in recovering non-performing loans led to a $59 million increase in recoveries in 2019. As a result, net impairment losses declined by $28 million to $33 million.

To further improve the overall performance of the business in 2020, we have devised several strategic growth priorities. Our focus is to build scale through digitising the business, growing deposits and upskilling our teams I will briefly elaborate on each of these priorities.

Building scale

We aim to diversify our revenues across many clients and sub-sector groupings. Doing this will help mitigate the risk to total revenues from a steep decline in any one dominant revenue source. Using data and digital technologies to attract mass-market businesses is an area of key focus for us.

Also, we are adopting a value chain financing approach that will allow us to bank the suppliers, contractors and distributors of Corporate Bank customers. Cash management, trade finance, loans and advances are some of the products that we have on offer.

We have also identified women-led businesses as another way for us to diversify our revenue streams further. The financing gap in women-led businesses in Africa is about $42 billion and this represents a massive and attractive opportunity, with research indicating that women-led businesses are more likely to be financially disciplined and less likely to default on their loan repayments. As a result, in the coming year, we plan to allocate a minimum of 10% of our loan portfolio to women-led businesses.

We also plan to deepen our collaboration with existing partners, particularly Development Finance Institutions (DFIs), such as the African Development Bank. They share in our developmental goals and are willing to use Ecobank as a conduit to increase their lending to small businesses in under-represented sectors.

Digitising our business

Digitisation provides us with opportunities to improve the customer experience, reduce our cost-to-serve and build scale. To get these benefits and avoid disruption from both banks and non-banks, we have to move quickly. For example, Omni Lite, our internet banking platform, enables our customers to self-serve and access banking services 24/7. Secondly, we consider partnerships with fintechs as a win-win solution. We believe that engaging in such strategic partnerships will further boost our collections and payments solutions and help facilitate growth among our SME customers. Thankfully, these strategic actions align with the cash-lite agenda most African governments are pursuing. Commercial Bank will stay at the forefront in driving innovation and fostering economic growth.

Next, we are aiming to increase the uptake of digital products by our customers. For example, we expect to have most of our customers using EcobankPay, our mobile device enabled scan and pay digital solution. Our products allow payments to be made simply and quickly while reducing both processing time and costs.

Finally, the African Continental Free Trade Area (AfCFTA), signed by 54 African nations, offers a unique opportunity for our Commercial Banking business, given our presence in 33 African countries. AfCFTA seeks to liberalise the trade in goods and services, reduce trade tariffs and promote digital payment systems across member nations, among other objectives. With our distinct geographical spread, we are already at the epicentre of intra-African trade and AfCFTA will boost our trade finance activities. Coupled with this is the e-commerce boom already happening on the continent, which also provides the foundation for us to scale our payment and collections platforms.

Growing deposits

Customer deposits, especially non-interest-bearing deposits, provide the building blocks for a bank. They support higher deposit margins and in turn higher net interest margins, as well as higher fees on larger transactional volumes. Growing our customer deposits, therefore, is a strategic priority. Winning in the payments and collections space, using EcobankPay and Omni Lite, our digital payment platform solutions, will facilitate this objective. It will widen our scope, enhance low-cost deposit generation and increase transaction activity on our platforms. For our public institution customers, our e-Government digital solutions will be a major contributor to these efforts.

Upskilling our teams

Finally, notwithstanding having the right technology in place, if we do not have the appropriate talents, skills and culture, we could be setting ourselves up for failure. Consequently, the effectiveness of our teams is at the heart of our strategic priorities. We have instituted a comprehensive programme, with our in-house learning and development centre – the Ecobank Academy – to provide the needed training for our marketing and sales force. We have instituted a Branch Management Academy where branch managers will receive the skills and tools that will enable them to serve our customers better.

Bright prospects

As we move into 2020, which marks the final year of our five-year transformational journey, we are excited about the prospects for our business. We continue to work hard to ensure that the partnership between our customers and us, is mutually beneficial. When we meet their financial needs successfully, they, in turn, will give us more of their wallet share.

As a result, in 2020, we will be focusing upon digitising and scaling our business, winning in the payments and collections space and growing deposits and loans. These should support the gains we have made so far in our financial performance.

We expect Anglophone West Africa and Francophone West Africa, which are our leading West African franchises, to increase overall Commercial Banking revenue growth by about 10%. In Nigeria, we expect a decent pick-up in our business, after what has been a difficult 2019. We expect Central, Eastern and Southern Africa to make some modest gains, despite the likelihood of being weighed down by the macroeconomic headwinds in Zimbabwe.

In conclusion, I thank our customers for the trust and confidence that they place in Ecobank. To my team members in Commercial Banking, I am most grateful for your commitment and your outstanding service to our customers.

Josephine Anan-Ankomah
Group Executive
Commercial Bank

AMIN MANEKIA
Group Executive
Corporate and Investment Bank

"Our integrated coverage, networked across our geographic footprint, positions us as the preferred CIB business in Africa, connecting and unlocking opportunities for our clients"

GROUP EXECUTIVE'S REVIEW
CORPORATE AND INVESTMENT BANK

Our Corporate and Investment Bank (CIB) businesses continue to deliver value to our diverse clientele across Sub-Saharan Africa and beyond. Notwithstanding the various macroeconomic challenges across our operating environments in 2019, CIB delivered a profit before tax of $330 million, representing 75% growth compared with 2018.

We have developed strong partnerships with our clients, reflected in a large portfolio of executed transactions across multiple industries and products. Our product expertise has enabled us to structure complex local and cross-border transactions. We maximised potential in our key markets by deploying our key product pillars - Cash Management, Trade Finance, Fixed Income Currencies & Commodities (FICC), Loans & Liquidity, Investment Banking (IB), and Securities, Wealth & Asset Management (SWAM).

Our Cash Management business is core to the Corporate and Investment Banking business. Leveraging on world-class technology, we provide effective working capital management and transactional banking solutions to our clients in various markets and in multiple currencies.

We successfully implemented a new version of our electronic banking platform Omni Plus and Omni Lite during the year. Flows from our digital collection platform, Bank Collect, continue to increase on the back of increased adoption by Revenue Authorities and Port Authorities across Africa.

The Trade Finance business continued executing our roadmap to position Ecobank as the preferred trade bank in sub-Saharan Africa. We increased our share of commodities financing, with a focus on cotton and cocoa.

Driving intra-African trade remains an important strategic focus. In 2019, we took steps towards developing a continental digital payments platform. This and other initiatives are key drivers that have enabled us to position CIB as the trade bank of choice in our key markets, providing solutions working with our international offices in Dubai, Johannesburg, Paris and Beijing.

Our international network has helped create linkages for growth in our African economies, facilitating innovative trade products for ease of settlement across all markets. As a key hub in supporting and attracting investments into Africa, the international business in Paris (EBI SA) recorded $6.5bn of FX transactions in 2019, 27% up from 2018 in African currencies. In 2019, EBI SA transacted in 53 currencies, for a total of $20.5bn in FX volume.

The FICC business performed strongly in 2019 across all three business lines - Client Sales, Trading, and Balance Sheet Management. The macroeconomic environment remained challenging, as negative fiscal and trade gaps remained high in our key markets. Our FICC business continued to make significant inroads by providing complex cross-border solutions and managing risk across different markets, and by working around fluctuating currencies, interest rates and commodity prices.

Regulatory interventions meant that there were many developments affecting balance sheets, interest rates and foreign exchange markets. However, leveraging on our partnerships with governments and state-owned enterprises (SOEs), we provided a landmark structured hedge solution to a sovereign client in our Francophone market. This was mainly driven by a strong Global Markets team, working with a platform of systems, technology and risk management. Our range of hedging solutions provides a key launchpad for growth and strong delivery in 2020 and beyond.

Our Investment Banking (IB) business continues to drive the Loan and Debt Capital Market issuances across sub-Saharan Africa. This was demonstrated through landmark transactions in Kenya, Senegal and Nigeria, to name a few markets. These transactions have helped enhance the infrastructure and development of these countries that we are operating in, meeting one of our key institutional objectives.

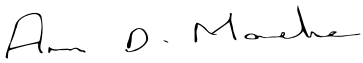
Our Securities, Wealth and Asset Management (SWAM) business, manages business verticals of Securities, Investor Services (SIS), Asset and Wealth Management (AWM), with innovative advice and solutions designed for our clients. With an exceptional suite of products, services and tools, SWAM has risen to be one of the leading securities businesses in Africa, providing specialist products. It has become well known for seamless advice to support our retail and institutional clients with market-related solutions and fund management services.

In 2019, our securities business strengthened its leadership across Africa. We are currently ranked among the top three brokerage houses in Ghana and Francophone West Africa. In UEMOA, we won Debt Capital Market mandates in two markets, and raised $520 million in state bonds issuances, while our assets under custody reached a peak of $2 billion, confirming the leadership of our franchise.

Our innovative pan-African transaction banking solutions continued to receive industry recognition. In 2019, Global Finance named Ecobank as the Best Bank for Payments and Collections in Africa, and GTR Leaders in Trade for Africa declared Ecobank the Best Trade Finance Bank in Nigeria.

The CIB business has made significant inroads as a leading business providing a full suite of comprehensive wholesale banking solutions to our local and global clients. Our integrated coverage, networked across our geographic footprint, positions us as the preferred CIB business in Africa, connecting and unlocking opportunities for our clients.

Going forward into 2020, we will manage and mitigate risks around challenges in our macroeconomic and complex regulatory environments, and political elections in various of our markets, to provide seamless solutions to our clients. We will continue to deliver on our promise of enhancing service delivery and world-class customer experience. We will also continue to invest in our digital capabilities and the unveiling of differentiated products while improving on our asset quality and business efficiency.



Amin Manekia
Group Executive
Corporate and Investment Bank

CORPORATE GOVERNANCE

03

BOARD OF DIRECTORS – ECOBANK GROUP

1 2 3 4 5 6

1. **Emmanuel Ikazoboh**
   Chairman
   Non-Executive Director
   Nigerian

2. **Ade Ayeyemi**
   Executive Director
   Group Chief Executive Officer
   Nigerian

3. **Brian Kennedy**
   Non-Executive Director
   South African

4. **Aichatou Agne Pouye**
   Non-Executive Director
   Senegalese

5. **Bashir M. Ifo**
   Non-Executive Director
   Nigerian

6. **Deepak Malik**
   Non-Executive Director
   Indian

7. Tei Mante
Vice-Chairman
Non-Executive Director
Ghanaian

8. Dr Catherine W. Ngahu
Non-Executive Director
Kenyan
1

9. Alain F. Nkontchou
Non-Executive Director
Cameroonian

10. Mfundo C. Nkuhlu
Non-Executive Director
South African

11. David O'Sullivan
Non-Executive Director
Irish

12. Arunma Oteh
Non-Executive Director
Nigerian

13. Dr Aasim Ahmad Qureshi
Non-Executive Director
British

DIRECTORS' BIOGRAPHIES

Emmanuel Ikazoboh (70)

Chairman
Independent Non-Executive Director
since 2014
Nigeria

Emmanuel Ikazoboh has over 40 years' experience in senior executive management roles, executing high-profile advisory assignments for public and private sector entities in Africa and globally. He spent most of his career with Deloitte and Touche as a member of the Africa Board and held the position of Chairman and CEO of Deloitte West and Central Africa between 2007 and 2009.

From 2010 to 2011, he served as Interim Administrator of the Nigerian Stock Exchange. He was appointed by Nigeria's Securities & Exchange Commission to restructure the stock exchange, equities market, stockbrokerage and corporate governance processes to meet with best practice and put in place a new management team.

As Chairman of Nigeria's Central Securities Clearing System, Emmanuel led its restructuring and transformation to conform to global standards.

He is a member of the board of Dangote Cement Group and serves as the Chairman of the Governance and Remunerations Committee. He is currently the only African board representative on the International Institute for Sustainable Development (IISD) in Canada and serves as the Chairman of the Audit and Risk Committee.

Emmanuel is a UK Certified Accountant and a Fellow of the Chartered Association of Certified Accountants, the Institute of Chartered Accountants (Nigeria) and the Nigeria Institute of Taxation. He holds an MBA in Financial Management and Marketing from Manchester University's Business School and was honoured with a Doctorate Degree in Business Administration (DBA) by the Ambrose Alli University, Ekpoma, Nigeria. He was also one of the top CEOs seconded to the Kellogg Senior Management School, Northwestern University, Chicago, USA.

Tei Mante (70)

Vice Chairman since 2018
Independent Non-Executive Director
since 2014
Ghanaian

Tei Mante is an economic and financial consultant with over 40 years' experience in financial markets, including investment banking, project finance and private equity. He has been an independent director of Ecobank Transnational Incorporated (ETI) since 2014. He worked with the World Bank Group in Washington, D.C. from 1975 to 2000, where, amongst a variety of assignments, he headed up the Africa and Agribusiness Departments of the International Finance Corporation (IFC).

Tei has also worked as a consultant for the African Development Bank, the Government of Ghana, the European Commission, UNECA and the Government of Sierra Leone. He served as a special advisor to the Ghanaian Government's Economic Management team between 2001 and 2004. He was Chairman of the Board of Ecobank Ghana Ltd from 2006 to 2010. He is currently an Independent member of the Investment Committee of the West Africa Emerging Markets Growth Fund.

He graduated with a BSc in Administration from the University of Ghana and holds an MBA from Columbia University, New York.

He is also an alumnus of INSEAD (IEP).

Ade Ayeyemi (57)

Executive Director since 2015
Group CEO
Nigerian

Ade Ayeyemi is the Group Chief Executive Officer of Ecobank Transnational Incorporated (ETI) and an Executive Director on the Company's Board of Directors. He joined ETI in 2015, bringing more than 30 years of banking, accounting, technology and executive management experience to the role.

Prior to joining Ecobank, Ade had a long, illustrious and very successful career with Citigroup spanning over 28 years, where he held various diverse, enriching and senior roles. He worked his way up the ladder, becoming the Chief Executive Officer of Citigroup's sub-Saharan Africa Division based in Johannesburg, South Africa.

Ade is an accounting graduate of the University of Ife, now Obafemi Awolowo University, Ile-Ife, Nigeria, where he earned a Bachelor of Science degree with First Class Honours. He also studied at the University of London and is an alumnus of the Harvard Business School's Advanced Management Programme. He is a Chartered Accountant and has many interests including business strategy, economics, process engineering and technology.

Ade is a trained UNIX Administrator and Network Operating Systems Manager.

Bashir Mamman Ifo (60)

Non-Executive Director
since 2011
Nigerian

Bashir Mamman Ifo is currently the President and Chairman of the Board of Directors of the ECOWAS Bank for Investment and Development (EBID) in Togo. He has more than 35 years of experience within the public and private sectors. He has held several senior management roles at EBID, including Head of Financial Operations Division, Director of the Treasury Department, Head of Finance and Administration, Acting Managing Director of the former ECOWAS Regional Investment Bank (ERIB) and Vice President for Finance and Corporate Services. From 1982 to 1995, Mr Ifo worked in both the public and private sectors in Nigeria. Bashir is also a non-executive director on the Board of ASKY Airlines.

He holds a Bachelor's degree in Business Administration (Banking and Finance) and an MBA in Finance, both from the Ahmadu Bello University, Zaria, Nigeria. He is also an Honorary Senior Member of the Chartered Institute of Bankers of Nigeria (CIBN). Mr Ifo was honoured with the award of the "Grand Officer of the National Order of Benin" by the Republic of Benin in January 2014.

Bashir Ifo is a Representative of EBID.

Alain Nkontchou (56)

Independent Non-Executive
Director since 2014
Cameroonian

Alain Nkontchou is the Managing Partner and co-founder of Enko Capital Management LLP, an asset management company based in London and Johannesburg, which focuses on African investment opportunities.

Alain was an advisor of Laurent Perrier, a champagne company in France, having been a non-executive director from 1999 to 2009. He worked in London between 1995 and 2008 as Managing Director of Credit Suisse's Global Macro Trading Group and also with JP Morgan Chase & Co. in the same capacity. Between 1989 and 1994, he worked with Chemical Bank in Paris and New York, where he became Vice-President, Head of Trading and Sales.

Alain has a track record of business success, having generated significant dollar revenues for each of these bulge bracket institutions.

Alain has an MSc in Electrical Engineering from Supélec and P.M. Curie University, Paris, and an MSc in Finance and Accounting from ESCP (Ecole Supérieure de Commerce de Paris).

DIRECTORS' BIOGRAPHIES

Mfundo Nkuhlu (53)

Non-Executive Director since 2015
South African

Mfundo Nkuhlu has served as Chief Operating Officer and Executive Director of Nedbank Limited and Nedbank Group Limited since January 2015. He has worked in senior roles with Nedbank for 15 years, including Managing Executive of Nedbank Corporate (2009-2014), Managing Executive of Corporate Banking (2005-2009) and Managing Executive of Nedbank Africa (2004-2005).

Prior to joining Nedbank, he was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Services (SARS). He also worked for the Department of Trade and Industry as Chief Director for Africa and the New Partnership for Africa's Development (NEPAD) programme.

Mfundo holds a BA Honours degree from the University of the Western Cape and completed a course on Strategic Management in Banking at INSEAD (France). He is an alumnus of the Advanced Management Programme (AMP) from Harvard Business School (US).

Mfundo Nkuhlu is a nominee of Nedbank Group Limited.

Dr Catherine Ngahu (58)

Independent Non-Executive Director since 2016
Kenyan

Dr Catherine Ngahu is a consultant, researcher, educator and entrepreneur with extensive experience in business strategy, marketing, branding, ICT policy and corporate governance.

She has been a senior lecturer at the University of Nairobi for many years and is the founder and chairman of SBO Research Limited, a service provider with a footprint in 23 African countries. She has consulted for a wide range of organisations in the financial services, FMCG, energy, ICT, telecommunications and manufacturing sectors.

She is the Chairperson of the Advisory Council on the Universal Service Fund for ICT in Kenya and a board member of the Africa Centre for Transformative and Inclusive Leadership. She was the first Chairperson of Kenya ICT Authority and the Project Governance and Oversight Committee of the World Bank funded Kenya Transparency and Communications Infrastructure Project. The President of the Republic of Kenya awarded her Elder of the Order of the Burning Spear in 2011.

She holds a PhD in Business Administration, an MBA and a Bachelor of Education (first class honours) from the University of Nairobi and was a Business Research Fellow at Wharton Business School, University of Pennsylvania.

David O'Sullivan (45)

Non-Executive Director since 2017
Irish

David O'Sullivan is Head of Group Legal for QNB, a position he has held since 2012.

He has over 20 years' experience as a lawyer and investment banker working on corporate and financing transactions in the emerging markets, principally in the Middle East, Africa and Eastern Europe.

Prior to his current position, he was Director, Gulf Investment Incorporation (2006-2012) and Senior Associate at Clifford Chance LLP, London, Dubai and Moscow (1996-2003).

He played a leading role in QNB's investment in Ecobank. Since 2016, he has been a Director of the QNB Global Funds ICAV, which is an EU fund authorised by the Central Bank of Ireland with sub-funds focussing on sectors including MENA and sub-Saharan Africa.

Mr O'Sullivan is a Chartered Financial Analyst, a Solicitor and a member of the Law Society of England and Wales. He has a Law degree (LLB) from Trinity College, Dublin.

David O'Sullivan is a nominee of Qatar National Bank.

Brian Kennedy (59)

Non-Executive Director
since 2017
South African

Brian Kennedy is Group Managing Executive, Nedbank Corporate and Investment Banking (Nedbank CIB). Brian has been working in investment banking for the past 31 years, the last 23 of which have been with the Nedbank Group.

He worked in the engineering industry for six years and moved into investment banking at FirstCorp Merchant Bank in 1988. In 1996, Brian joined BoE NatWest and was appointed Managing Director of BoE Merchant Bank in 1998. He led the Capital Markets business in Nedbank following the merger with, and incorporation of, BoE. In November 2003, he was appointed Managing Executive of Nedbank Capital and a member of the Nedbank Group Executive Committee. He is also responsible for the London operations of Nedbank.

Following the integration of Nedbank Capital and Nedbank Corporate in 2015 into a single client-facing wholesale business, Brian has been leading the executive teams responsible for developing and driving the overall strategy, positioning and business growth.

Brian holds a BSc (Eng) (cum laude), MSc (Eng), MBA, AMP (Harvard, USA).

Brian is a nominee of Nedbank Group Limited.

Aichatou A. Pouye (61)

Independent Non-Executive
Director since 2018
Senegalese

Mrs Aichatou Agne Pouye has more than 30 years' experience in the private sector, public administration and international organisations.

She has held leadership positions in many organisations and has strong skills in people management, auditing and enterprise management, marketing of banking services, access to finance for SMEs, international trade negotiations and trade related technical assistance.

Her career started as an auditor at Ernst and Young International, Dakar, Senegal in 1984. In 1990 she joined Citibank and spent 10 years as Manager, Resident Vice-President, Group Vice-President and member of the Management Committee. In 2000, she became General Administrator of the Economic Promotion Fund, a refinancing fund for SMEs established by the African Development Bank and the Senegalese Government.

In 2001 she was appointed as Senegal's Minister of SMEs and Trade, and then became Minister of Trade in 2003. She was awarded best African policy maker promoting the private sector. From 2006 until 2017 she was Director of Business and Institutional Support and Director of Market Development of the International Trade Centre, a UN and WTO agency based in Geneva.

She holds a Specialised Postgraduate Degree in Management and Business Administration from IAE, Caen, France, a BSC and MSC in Economics from the Université de Paris 9 Dauphine (France).

Arunma Oteh (55)

Independent Non-Executive
Director since 2019
Nigerian

Ms Oteh is an Academic Scholar at St. Anthony's College and an Executive In Residence at SAID Business School, University of Oxford. Her areas of focus are capital markets, economic development and financial technology. She is also a member of the London Stock Exchange Africa Advisory Group.

She was Treasurer of the World Bank from 2015 to 2018 where she led a team that managed its US$200 billion debt portfolio, as well as an asset portfolio of US$200 billion for the World Bank, 65 central banks and other public sector clients. She served as the Director General of the Securities and Exchange Commission, Nigeria, from 2010 to 2015, where she led the rebuilding of the Nigerian capital markets after the global financial crisis and was a member of Nigeria's Economic Management Team. Previously, she held senior roles at the African Development Bank including Group Vice President, Corporate Services and Group Treasurer.

Her career started at Centre Point Investments Limited, Nigeria, in 1985. She has also served on several boards and received several awards and recognitions, notably Nigeria's National Honour – Officer of the Order of the Niger (OON) in 2011.

Ms Oteh has an MBA from Harvard Business School, and a BSc, First Class Honours from the University of Nigeria, Nsukka.

DIRECTORS' BIOGRAPHIES

Dr Aasim Ahmad Qureshi (43)

Non-Executive Director
since 2019
British

Dr Aasim Ahmad Qureshi joins the ETI Board of Directors as a nominee of Qatar National Bank. Dr Qureshi has over 20 years' experience in senior positions across investment banking, law and medicine. He is currently Managing Director, Investment Banking at QNB Capital LLC, and holds a Senior Executive position at QNB Capital in London and Paris. He is also a member of the Investment Committee of a multi-million-dollar Qatar Central Bank Regulated Fund and oversees a significant European real estate portfolio. Prior to joining QNB Group in 2008, he was an investment banker at Nomura Code Securities Limited and a lawyer with CMS Cameron McKenna LLP, advising private and listed corporate clients.

He has significant capital market experience, having raised over US$50 billion in corporate and sovereign bonds and US$4.5 billion in primary and secondary Initial Public Offers. He is a highly experienced adviser to private and listed companies on all aspects of corporate financing strategies, oversees mergers and acquisitions transactions from origination to close and manages complex corporate restructurings.

He holds various postgraduate qualifications in law, management and medicine.

Deepak Malik (62)

Non-Executive Director
since 2019
Indian

Deepak Malik joined the ETI Board of Directors as a nominee of Arise B.V. ("Arise"), which holds a 14.1% equity stake in ETI, following its purchase of ETI shares from IFC and IFC Asset Management in August 2019.

Mr Malik is Chief Executive Officer of Arise and oversees its operations as an investment and development partner for financial services providers in sub-Saharan Africa. It assists economic growth and prosperity in the region by strengthening rural development, alleviating poverty and increasing financial inclusion and employment.

Previously, Mr Malik was Head of Southern Africa Office and Head of Department, Financial Institutions at the development finance institution, Norfund. He promoted Norwegian investments and had overall responsibility for Norfund's Southern African, Central American and South Asian financial institutions portfolio and was a member of the Norfund Investment Committee.

He has also been the Regional Representative of the Danish government's Investment Fund for Developing Countries and Managing Director of the Development Bank of Zambia. He has held various Board positions, including at banks.

Mr Malik is a Fellow Member of the Institute of Chartered Accountants, India, and has a Bachelor's Degree in Commerce (Honours) from the University of Delhi, India.

DIRECTORS' REPORT

Legal and regulatory framework

Ecobank Transnational Incorporated ("ETI"), the parent company of the Ecobank Group ("The Group"), is a financial holding public limited liability company incorporated in Lomé, Togo, on 3 October 1985 under a private sector initiative led by the Federation of West African Chambers of Commerce and Industry and the Economic Community of West African States (ECOWAS).

ETI benefits from specific privileges and exemptions that were granted under the Headquarters Agreement executed between ETI and the Republic of Togo, pursuant to the Ordinance No 85-16, of 5 September 1985. These include immunities, privileges for itself, its Board and senior staff as well as a non-resident financial status.

Since 2006, by virtue of the listing of its ordinary shares on the three West African stock exchanges, namely, the Bourse Régionale des Valeurs Mobilières (BRVM) in Abidjan, the Ghana Stock Exchange (GSE) in Accra and the Nigeria Stock Exchange (NSE) in Lagos, ETI has been complying with the rules of the capital market regulators as well as those of the stock exchanges of the above three markets.

On 11 December 2017, the Commission Bancaire of the West African Monetary Union issued a circular classifying ETI in the regime of financial holding companies under its supervision.

Principal activity

ETI's principal activity is the creation and acquisition of operating units for the provision of banking, economic, financial and development services. The Ecobank Group is the leading pan-African bank with operations in 35 countries across the continent. The Group also has a licensed banking subsidiary in Paris and representative offices in Addis Ababa, Beijing, Dubai, Johannesburg and London.

Business review

In 2019, ETI continued to drive the central development of products in the three business segments of the Group, namely Corporate and Investment Bank, Commercial Bank and Consumer Bank for distribution in the subsidiaries, providing fit-to-market and purpose products in order to remain competitive across the network.

The Group upgraded its core banking application by migrating to Flexcube version 12, in order to improve on the functionalities, customer service experience and have better transaction efficiency.

A detailed review of the Group's business for 2019 is contained in the 'Business and Financial Review' section of the annual report on pages 136-163.

Highlight of results

ETI made a profit of $184 million for the financial year ended 31 December 2019.

The detailed results for ETI are set out in the parent company's financial statements on pages 295-298 of the Annual Report. The Board of Directors approved the financial statements of the Parent Company as well as the consolidated financial statements for the year ended 31 December 2019 on 23 March 2020.

Messrs Emmanuel Ikazoboh, Ade Ayeyemi and Ayo Adepoju were authorised to sign the accounts on behalf of the Board.

The accounts of ETI and the Ecobank Group are prepared in accordance with International Financial Reporting Standards ("IFRS").

Year ended 31 December (In thousands of US dollars)	2019	2018
Net revenues	(76,970)	(15,849)
Operating loss for the year	(149,274)	(76,456)
Share of profit/(loss) of associates	115	(3,038)
Share of subsidiaries profit	451,096	488,626
Share of subsidiaries tax	(117,621)	(87,030)
Profit for the year	**184,315**	**322,102**

DIRECTORS' REPORT

Share capital

The Authorised Capital of ETI is US$1,276,664,511 as at 31 December 2019.

Trading in ETI shares

Approximately 272.59 million, 34.29 million, and 5.34 million units of ETI ordinary shares were traded on the Nigeria Stock Exchange (NSE) in Lagos, Bourse Régionale des Valeurs Mobilières (BRVM) in Abidjan, and the Ghana Stock Exchange (GSE) in Accra respectively in 2019.

Major changes in shareholding

As part of its ordinary asset portfolio rotation, the International Finance Corporation (IFC) and Funds managed by IFC divested their shareholding in ETI to Arise B.V., a highly reputable Investment House with a strong developmental mandate for Africa. IFC invested in Ecobank for more than ten years and its investment helped to increase access to credit for entrepreneurs and SMEs in sub-Saharan African countries. Arise B.V. now holds a 14.1% equity stake in ETI, following the completion of its purchase of shares in August 2019.

Board of Directors

The names of the Directors of the Company appear on pages 50-51 and 52-56 of this annual report.

As of 31 December 2019, the Board was composed of thirteen (13) Directors: twelve (12) Non-Executive Directors and one (1) Executive Director, consisting of ten (10) male and three (3) female directors from nine nationalities.

During the year, Mrs Arunma Oteh, Mr Aasim Qureshi and Mr Deepak Malik were co-opted to the Board. Mr Deepak Malik, who was co-opted after the Annual General Meeting (AGM) of April 2019, will be presented for the ratification of his appointment at the 2020 Annual General Meeting.

In accordance with the Articles of Association of the Company, Messrs Emmanuel Ikazoboh and Tei Mante will retire as directors having attained the retirement age of 70. The search for their replacements commenced in 2019.

The Board of Directors met seven (7) times during the year. The Board Audit and Compliance Committee, Information Technology Committee, Risk Committee, and the Social, Ethics & Reputation Committee each met four (4) times to deliberate on issues under their respective responsibilities. The Finance and Regulatory Requirements Committee and the Governance and Nomination Committee met five (5) and six (6) times, respectively.

Directors' interest in shareholding as at 31 December 2019

As at the end of 2019, five directors held a total of 24.3 million shares in their individual capacity while indirect shareholding by directors were 13.9 billion shares. Details of the shareholdings of directors are set out in the table below:

		Direct		Indirect		Total	
S/N	Name	2019	2018	2019	2018	2019	2018
1	Mr Emmanuel Ikazoboh[1]	480,000	480,000	1,520,000	1,520,000	2,000,000	2,000,000
2	Mr Tei Mante	500,000	500,000	0	0	500,000	500,000
3	Mr Ade Ayeyemi	16,418,000	16,418,000	0	0	16,418,000	16,418,000
4	Mr Bashir Mamman Ifo (representing EBID)[2]	6,400	6,400	240,209,077	240,209,077	240,215,477	240,215,477
5	Mr Brian Kennedy (nominee of Nedbank Group)	0	0	0	0	0	0
6	Mr Deepak Malik (nominee of Arise B.V.)[3]	-		3,487,337,828	-		
7	Dr Catherine Ngahu	0	0	0	0	0	0
8	Mr Alain Nkontchou	6,915,768	0	0	0	6,915,768	0
9	Mr Mfundo Nkuhlu[4]	0	0	5,249,014,550	5,249,014,550	5,249,014,550	5,249,014,550
10	Mr David O'Sullivan (nominee of QNB)[5]	0	0	4,970,904,524	4,970,904,524	4,970,904,524	4,970,904,524
11	Mrs Aichatou Agne Pouye	0	0	0	0	0	0
12	Ms Arunma Oteh		0	0	0	0	0
13	Dr Aasim Qureshi (nominee of QNB)		0	0	0	0	0
	Total	**24,320,168**	**17,404,400**	**13,948,985,979**	**10,461,648,151**	**10,485,968,319**	**10,479,052,551**

[1] The indirect shares referred to are shares held by Osigbeme Enterprises Ltd, a company associated with Mr Emmanuel Ikazoboh.
[2] The indirect shares held by Mr Ifo refer to the shares of EBID
[3] The indirect shares held by Mr Deepak Malik refer to the shares of Arise B.V
[4] The indirect shares held by Mr Mfundo Nkuhlu refer to the shares of Nedbank Group
[5] The indirect shares held by Mr David Sullivan refer to the shares of QNB

DIRECTORS' REPORT

Directors' interests in contracts

During the year no director had any interest in any contract awarded by the institution or any of its subsidiaries.

Corporate governance and compliance

The Group's corporate governance practices have continued to improve as detailed in the Corporate Governance Report on pages 64-79. The Company continues to maintain corporate policies and standards designed to promote transparency, avoid potential conflicts of interest and promote ethical business practices.

The Board is committed to improving the governance of the institution and is working closely with regulators and other stakeholders in the market to strengthen this area.

The Company continues to comply with the requirements of the Commission Bancaire of the Union Économique et Monétaire Ouest-Africaine (UEMOA) on Corporate Governance, the SEC Code of Corporate Governance and the Nigerian Code of Corporate Governance.

Subsidiaries

In 2019, the number of ETI subsidiaries remained unchanged from 2018. The Group is focused on translating the achieved pan-African scale advantage to sustainable long-term value for stakeholders.

ETI has a majority equity interest in all its subsidiaries and provides them with management, operational, technical, business development, training and advisory services. The total number of ETI affiliates consolidated in this Annual Report is 53.

Post balance sheet events

There were no post balance sheet events that could materially affect either the reported state of affairs of the Company and the Group as at 31 December 2019, or the result for the year ended on the same date, which have not been adequately provided for or disclosed.

Responsibilities of Directors

The Board of Directors is responsible for the preparation of the financial statements and other financial information included in this annual report, which give a true and fair view of the state of affairs of the Company at the end of the financial period and of the results for that period.

These responsibilities include ensuring that:

- Adequate internal control procedures are instituted to safeguard assets and to prevent and detect fraud and other irregularities;
- Proper accounting records are maintained;
- Applicable accounting standards are followed;
- Suitable accounting policies are used and consistently applied; and
- The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Independent external auditors

The Joint Auditors Deloitte & Touche, Nigeria and Grant Thornton, Côte d'Ivoire have indicated their willingness to continue in office.

A resolution will be presented at the 2020 Annual General Meeting to renew their mandates.

Dated in Lomé, 31 March 2020

By Order of the Board

Madibinet Cissé
Company Secretary.

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African Business Brand Report 2019

Pan African Platform | **Pan African People** | **Pan African Performance**

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The Pan African Bank

GROUP EXECUTIVE COMMITTEE – ECOBANK GROUP

1 2 3 4 5 6 7 8

1. **Ade Ayeyemi**
   Group Chief Executive Officer
   Nigerian

2. **Cheikh Travaly**
   Regional Executive, CESA and
   Managing Director,
   Ecobank Kenya
   Senegalese

3. **Patrick Akinwuntan**
   Regional Executive and
   Managing Director,
   Ecobank Nigeria
   Nigerian

4. **Nana Araba Abban**
   Head, Group Consumer Bank
   Ghanaian

5. **Josephine Anan-Ankomah**
   Group Executive,
   Commercial Bank
   Ghanaian

6. **Madibinet Cissé**
   Group General Counsel and
   Company Secretary
   Guinean

7. **Paul-Harry Aithnard**
   Regional Executive, UEMOA and
   Managing Director,
   Ecobank Côte d'Ivoire
   Togolese

8. **Ayo Adepoju**
   Group Chief Finance Officer
   Nigerian

9 10 11 12 13 14 15

9. Yves Mayilamene
Group Executive,
Human Resources
Congolese

10. Moustapha Fall
Group Head, Internal Audit &
Management Services
Senegalese

11. Laurence Do Rego
Group Executive,
Chief Regulatory and
Compliance Officer
Beninese

12. Amin Manekia
Group Executive, Corporate
and Investment Bank
Pakistani

13. Eric Odhiambo
Group Executive,
Chief Risk Officer
Kenyan

14. Eddy Ogbogu
Group Executive, Operations
and Technology
Nigerian

15. Daniel Sackey
Regional Executive, AWA and
Managing Director,
Ecobank Ghana
Ghanaian

CORPORATE GOVERNANCE

Introduction

Ecobank has Corporate Governance structures designed to make the institution more accountable and transparent to all stakeholders, thereby increasing its long-term value while ensuring its potential growth. These structures define appropriate arrangements to facilitate and enable the execution of the overall Group vision and objectives of Ecobank, to be a world-class pan-African Banking Group.

Founded on the spirit of regional co-operation and the economic integration of African countries, Ecobank acknowledges the critical nature of its relationships with all the regulatory bodies across its footprint in executing its vision and discharging its responsibilities to its customers, lenders, shareholders and the communities within which it operates. It seeks to implement the highest standards and best practices in corporate governance, in accordance with the most widely accepted codes, including those in the markets in which its shares are listed.

This is consistent with Ecobank's belief that good corporate governance leads to sustainable business and good financial performance which, ultimately, delivers appropriate returns for shareholders.

Corporate governance principles

The Corporate Governance structure of Ecobank is founded on the following principles:

a) Ultimate corporate power belongs to the shareholders. The rights of shareholders shall be respected, and steps shall be taken to facilitate the effective exercise of those rights.

b) The shareholders delegate their authority to the Board. The Board then delegates the day-to-day operations of the Company to the Executive Management. The scope of the authority of each organ is clearly defined and agreed. There are clear and published terms of reference and accountability for committees at Board and executive levels.

c) The Board shall be structured in a manner that enables it to add value to the Company and shareholders through the composition, size and commitment of its members.

d) Ecobank raises funds from depositors and the capital markets and undertakes to repay such funds on the due contractual date, provides lending to clients and also provides customers with convenient, accessible and reliable services.

e) Ecobank subscribes to working with and adhering to the requirements of the various regulators that regulate and supervise ETI and its banking subsidiaries.

f) Decision-making should be ethical and responsible in compliance with relevant laws and host countries' internal policies and should be taken in a manner to ensure accountability. Decisions will be objective and timely and always aimed at satisfying stakeholders (shareholders, customers, Ecobank employees, regulators and the public at large), thus fulfilling ETI's mission.

g) There should be independent verification of the financials of member companies in order to safeguard integrity in financial reporting.

h) Enterprise Risk Management should be recognised and entrenched through established policies, procedures and practices that are consistently applied across the Group.

i) There should be fair and active review of Company information to encourage Board effectiveness and Management performance, as well as competitive and responsible remuneration in compliance with transparent rules.

j) The legitimate interests of stakeholders should be duly recognised.

k) Decision-making should be at the appropriate level as close as possible to required action and the customers, as set out in delegated schedules of authority that provide the appropriate checks and balances necessary in a pan-African Banking Group.

l) Relevant authorities within the Group should be empowered and individual accountability institutionalised.

m) There should be effective communication and information sharing between Management and the Board and among members of the Board outside of meetings.

n) There must be a clear escalation process to ensure that matters requiring the involvement and/or approval of the relevant organs within the Group, are brought to their attention for review and decision, or simply for awareness.

Group structure – 'One Bank' concept

In order to ensure that it operates as a Banking Group and not as a group of banks, Ecobank, as much as possible, operates a standard organisational structure at parent company and subsidiary levels. As the parent company, Ecobank Transnational Incorporated is responsible for the overall strategy, and shall continue to act as the 'Strategic Architect' of the Group.

Group decisions and policies are made for the application of all members of the Group and are implemented in all subsidiaries, subject to local laws and regulations. Any variation is subject to the approval of the parent company.

The parent company, through its wholly owned subsidiary, manages technology centrally and deploys it in all affiliates. It also houses the Shared Services platforms for efficiency in operations and in order to leverage economies of scale.

All functions are coordinated from the parent company (Risk Management, Internal Control, International Audit, Legal, Treasury, etc.) with a Group Head/Executive at the parent company level and Country Managers who have a functional reporting line to the Group Head/Executive at the parent company.

The Board holds annual meetings with Chairpersons of subsidiary Boards and Group Functional Heads, for the purpose of sharing information on the overall direction and major policy decisions of the Group.

Corporate literature

The Articles of Association of Ecobank Transnational Incorporated, and those of its subsidiaries, provide a clear delineation and separation of the rights and responsibilities of the Board, Executive Management and shareholders, to ensure that there is non-interference of the Board in management functions and the full disclosure of information to shareholders. Whilst the Board approves policies and Group-wide strategy, it is the duty of Executive Management to ensure the day-to-day implementation of policies and strategies adopted by the Board.

The Group Corporate Governance Charter sets out the structures and processes to be followed to build credibility and ensure transparency and accountability across the Group. It also defines appropriate policies and processes to enable the execution of Ecobank's overall vision. The Governance Charter is regularly updated to reflect the constantly evolving business environment.

The Charter is domesticated and applicable to all members of the Group, subject to local laws and regulations. All Directors, Executives and relevant employees of the Group are required to comply with the provisions of the Governance Charter.

Shareholders' recognition

The Annual General Meeting is a key forum for sharing information and decision-making and is intended to engender the active participation of shareholders. Ecobank shareholders' right to access information is an essential principle underpinning the Corporate Governance philosophy of the Group, which promotes the facilitation of meaningful dialogue.

The Board has always placed considerable importance on effective communication with its shareholders. It ensures that the rights of shareholders are always protected. Notice of meetings and all statutory notices and information are communicated to shareholders on time.

The Board is responsible for submitting complete and comprehensive financial and management information to the Annual General Meeting, to facilitate a balanced and fair exchange of views within the Company. It ensures that there is ongoing dialogue with shareholders and that information furnished to the Annual General Meeting is accurate and reliable.

Shareholders are encouraged to communicate their opinions and recommendations, whenever they feel the need to do so, to the Investor Relations Unit and/or the Company Secretary through the contact details available on Ecobank's Group website, www.ecobank.com.

Board responsibilities

The primary responsibility of the Board is to act in the best interests of the Group and to foster the long-term success of Ecobank, in accordance with its legal requirements and its responsibilities to shareholders, regulators and other stakeholders. The Board ensures that the necessary leadership, financial and human resources, are made available to the Group to enable it to achieve its objectives. The Board ensures that there are no conflicts or potential conflicts of interest between Executive Management, members of the Board and shareholders. The Board also ensures that the reporting lines of key control functions, such as Internal Audit, Compliance and Risk Management, are independent and structured in a manner that ensures the effectiveness of checks and balances.

The Board reports to shareholders annually on the integrity and timely disclosure of the business and financial performance of Ecobank, through the Group's consolidated annual report and accounts, including other substantive financial and non-financial information, about which shareholders and potential investors should be informed. The Board is responsible for assessing the ability of the Group to meet its obligations and is accountable to its shareholders. The Board encourages active dialogue with shareholders and potential investors, based on a mutual understanding of objectives and expectations.

Appointment of Board Directors

The nomination and appointment process of a director to the Board is clearly defined in the Governance Charter. The Charter provides for the Governance and Nomination Committee, which is responsible for the selection and appointment of Board Directors. Prior to any appointment, the Governance and Nomination Committee defines

CORPORATE GOVERNANCE

the functions and core competencies for each vacant Directorship role. It also develops suitable selection criteria for potential candidates, screens and interviews them. The Committee then puts the short-listed candidate forward for consideration by the full Board. Upon consideration of the Board, successful candidates are co-opted to the Board and subsequently presented to the Annual General Meeting for the ratification of their appointments. New Directors are issued with letters of appointment, with clear terms and conditions regarding the discharge of their duties.

The competencies outlined in the table below are considered in the selection of Non-Executive Directors to the Board.

Demonstrable business acumen
Directors must have considerable business experience, together with proven understanding of corporate and business processes, which have been accomplished through a successful track record and must have an impeccable reputation in the business community.
Leadership and Board experience
A recognised ability to add value and display leadership, together with the ability to assert balanced and constructive views at Board level.
Special technical skills or expertise
Have experience in international banking best practice, with specific expertise in the African banking sector. This encompasses commercial banking, retail banking, investment banking, treasury, capital markets and fund raising, asset management, central banking, rating agencies, IT/digital banking, accounting and auditing, regulation and risk management, succession planning, executive compensation, government relations and political intelligence, international insurance, law and taxation, investor relations and international trade, especially relating to commodities. The combined experience of the Directors of the Board is expected to exhibit these competencies.
Integrity
Directors should demonstrate high levels of integrity, professional and personal ethics, as well as values consistent with those of the Ecobank Group.
Character
Directors should exhibit strength of character and the ability and willingness to challenge and probe. This includes sound business judgement, strong interpersonal skills and the ability to listen carefully and communicate with clarity and objectivity.
Time commitment
Directors need to be able to dedicate sufficient time to adequately carry out their duties.

The Articles of Association of the Company limit the tenure of Non-Executive Directors to nine (9) years. Directors are appointed for an initial mandate of three (3) years, which may be renewed.

However, renewal is not automatic. Directors are required to be evaluated periodically.

The outcome of this evaluation and the competency requirements of the Board, as well as the Directors' contributions and input, are considered in assessing the potential renewal of appointments.

In addition to statutory provisions, there are clear guidelines for the dismissal/retirement of a Director. A Director may be dismissed for breach of his fiduciary duties and/or underperformance under the terms of his letter of appointment or other corporate documents. Furthermore, the Board may recommend the replacement of the nominee or representative of an institutional shareholder, where he or she does not possess the requisite competencies required by the Board, or where his or her performance is found to be unsatisfactory.

Board composition and structure

The Articles of Association of the Company limit the size of the Board to fifteen (15) members. The Board composition is representative of shareholders' interest. It stipulates that the Board shall comprise:

- Nominees of any shareholder for each ten per cent (10%) of the total issued ordinary share capital of ETI, or multiple thereof, that such a shareholder may hold directly, subject to a maximum of two (2) seats per shareholder;
- One (1) representative of Ecowas Bank for Investment and Development (EBID);
- Not more than two (2) executive directors, including the GCEO;
- A minimum of five (5) independent directors, including directors selected from the geographical regions where the Group operates; and
- The requisite number of additional independent directors that are required to fill the remaining seats.

The composition of the Board considers, as much as practicably possible, the geographical coverage of the Group, relevant professional experience, shareholders' representation and gender equality.

Board attendance in 2019

	Name	Role	Year appointed to Board	Meetings eligible to attend	Number of Meetings attended
1	Mr Emmanuel Ikazoboh	Chairman/Independent	2014	7	7
2	Mr Ade Ayeyemi	Chief Executive Officer	2015	7	7
3	Mr Greg Davis	Chief Financial Officer until April 2019	2017	2	2
4	Mr Monish Dutt	Non-Executive	2017	4	4
5	Mr Bashir Ifo (EBID)	Non-Executive	2011	7	7
6	Mr Brian Kennedy (Nedbank Group Ltd)	Non-Executive	2017	7	5
7	Mr Tei Mante	Non-Executive/Independent	2014	7	7
8	Mr Deepak Malik (ARISE B.V.)	Non-Executive	2019	2	2
9	Dr Catherine Ngahu	Non-Executive/Independent	2016	7	7
10	Mr Mfundo Nkuhlu (Nedbank Group Ltd)	Non-Executive	2015	7	7
11	Mr Alain Nkontchou	Non-Executive/Independent	2015	7	7
12	Mr David O'Sullivan (Qatar National Bank)	Non-Executive	2017	7	6
13	Ms Arunma Oteh	Non-Executive/Independent	2019	7	7
14	Mrs Aichatou Agne Pouye	Non-Executive/independent	2018	7	7
15	Dr Aasim Qureshi (Qatar National Bank)	Non-Executive	2019	6	5

Board changes

During the year, Mrs Arunma Oteh, Dr Aasim Qureshi and Mr Deepak Malik were co-opted to the Board. Mr Deepak Malik, who was co-opted after the AGM of 2019, will be presented for the ratification of his appointment at the Annual General Meeting of 2020.

In accordance with the Articles of Association of the Company, Messrs Emmanuel Ikazoboh and Tei Mante will retire having attained the retirement age of 70 and they will be replaced in accordance with the Board succession plan in place.

Board Committees

There are currently six (6) Board Committees, namely:

1. Audit and Compliance Committee;	4. Information Technology Committee;
2. Finance and Regulatory Requirements Committee;	5. Risk Committee; and
3. Governance and Nomination Committee;	6. Social, Ethics and Reputation Committee.

The charters of the various Board Committees have been established in accordance with best practice. The membership of the Board Committees excludes Executive Directors. Also, for the purposes of revitalising the Board Committees, the tenure of members is restricted to a maximum of two (2), three (3)-year terms, which may be extended, if it is deemed appropriate.

Board membership committees

Director	Audit and Compliance	Finance and Regulatory Requirements	Governance and Nomination	Information Technology	Risk	Social, Ethics and Reputation
Mr Monish Dutt	Member				Member	
Mr Bashir Ifo			Chairman			Member
Mr Brian Kennedy	Member		Member			
Mr Deepak Malik						
Mr Tei Mante		Chair	Member		Member	
Dr Catherine Ngahu	Member			Chair		Member
Mr Alain Nkontchou	Chair				Member	
Mr Mfundo Nkuhlu		Member			Chair	
Mr David O'Sullivan			Member	Member		
Ms Arunma Oteh		Member		Member	Member	
Mrs Aichatou Agne Pouye	Member		Member			Chair
Dr Aasim Qureshi		Member				Member

CORPORATE GOVERNANCE

Governance & Nomination Committee

The Governance and Nomination Committee met six (6) times during the year to deliberate on issues under their respective responsibilities.

Composition and attendance

Name	Role	Meetings eligible to attend	Number of Meetings attended
Mr Bashir Ifo	Chairman	6	5
Mr David O'Sullivan	Member	6	6
Mr Brian Kennedy	Member	6	5
Mrs Aichatou Pouye*	Member	5	5
Mr Tei Mante*	Member	4	4

*Mr Tei Mante and Mrs Aichatou Agne Pouye joined the Committee in the course of the year 2019.

Responsibilities of Governance & Nomination Committee:

- Formulates, reviews and ensures implementation of policies applicable to all units of the Group, as well as good governance throughout the Group;
- Manages the relationship between the Company and its shareholders and subsidiaries, including relationships with the Boards of subsidiaries;
- Evaluation of the performance of Directors and Senior Management;
- Develops suitable criteria for the selection and appointment of new Board members and for the selection, appointment or removal of the Group and Country Board members;
- Reviews the human resources strategy and policies of the Group; and
- Determines the policy for the remuneration (including benefits, pension arrangements and termination payments) of Non-Executive Directors, the Chairman of the Board, the Chief Executive Officer, the Executive Directors, and the Senior Executives of ETI.

During the 2019 financial year, the Committee reviewed and made recommendations to the Board (for its non-objection) on, the nomination of affiliates' Non-Executive Directors and also interviewed candidates for chairmanship positions in the subsidiaries. It also oversaw the selection process of the candidates for the replacement of the retiring Chairman and independent director, with the technical assistance of PricewaterhouseCoopers. The Committee also reviewed the remuneration of the Group in order to align with shareholders' interest as well as the appointment and performance of Senior Executives.

Audit and Compliance Committee

The Audit and Compliance Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Meetings eligible to attend	Number of Meetings attended
Mr Alain Nkontchou	Chairman	4	4
Mrs Aichatou A. Pouye*	Member	3	3
Mr Monish Dutt*	Member	3	3
Mr Brian Kennedy	Member	4	4
Dr Catherine Ngahu*	Member	3	3

*Mrs Aichatou Agne Pouye, Mr Monish Dutt and Dr Catherine Ngahu were not members of the Committee for the whole of 2019.

All members have relevant business knowledge and skills and familiarity with accounting practices and concepts.

The Group Executive, Internal Audit and Management Services serves as Secretary to the Committee.

Responsibilities of the Audit and Compliance Committee:

- Reviews internal controls, including financial and business controls;
- Reviews internal audit function and audit activities;
- Facilitates dialogue between the auditors and Management regarding the outcomes of audit reviews;
- Makes proposals with regard to external auditors and their remuneration;
- Works with external auditors to review annual financial statements before full Board approval; and
- Ensures compliance with all applicable laws, regulations and operating standards.

During the 2019 Financial Year, the Committee reviewed and recommended for approval the revised Group Internal Audit and Management Services Charter, the Risk-Based Internal Audit and Management Services Plan for 2020–2022, the Amended Group Operational Risk Management Policy, the ETI Compliance Monitoring Plan for 2020, Amended Group ALM/CFT and Sanctions Policy.

CORPORATE GOVERNANCE

Risk Committee

The Risk Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Meetings eligible to attend	Number of Meetings attended
Mr Mfundo Nkuhlu	Chairman	4	4
Mr Monish Dutt*	Member	3	3
Mr Tei Mante	Member	4	4
Mr Alain Nkontchou	Member	4	4
Ms Arunma Oteh*	Member	3	3

*Mr Monish Dutt left the Committee while Ms Arunma Oteh joined it in the course of the year 2019.

All members have a good knowledge of business, finance, banking, general management and credit.

The Group Chief Risk Officer serves as Secretary to the Committee.

Responsibilities of the Risk Committee:

- Initiates the determination and definition of policies and procedures for the approval of credit, operational, market/price and other risks within the Group; defining acceptable risks and risk acceptance criteria;
- Sets and reviews credit approval limits for Management;
- Reviews and ratifies operational and credit policy changes initiated by Management;
- Ensures compliance with the Bank's credit policies and statutory requirements prescribed by the regulatory or supervisory authorities;
- Reviews periodic credit portfolio reports and assesses portfolio performance; and
- Reviews all other risks (e.g. technology, market, insurance, reputation and regulatory).

During the 2019 Financial Year, the Committee reviewed and recommended for approval the revised Group Credit Policy and Procedure Manual, the Group Risk Appetite Framework, Ecobank Group Recovery and Resolution Plan, the revised Market and Liquidity Risk Policy, the revised Environmental and Social Risk Policy and Procedure Manual and Subsidiary Directors' Related-Parties Facilities.

Information Technology Committee

The Information Technology Committee met four (4) times to deliberate on issues under their respective responsibilities.

Composition and attendance

Name	Role	Meetings eligible to attend	Number of Meetings attended
Dr Catherine Ngahu	Chairperson	4	4
Mr David O'Sullivan	Member	4	4
Ms Arunma Oteh*	Member	3	3

*Ms Arunma Oteh joined the Committee in the course of the year.

The Group Chief Technology Officer is the Secretary to the Committee.

Responsibilities of the Information Technology Committee:

- Alignment of the Group's information technology systems with overall Group strategy and direction;
- Oversee the maintenance of adequate information technology systems to support the Group's business;
- Approve and monitor strategic IT development programmes and projects;
- Monitor and evaluate existing and future trends in technology that may affect the Group's strategic plans, including monitoring of overall industry trends;
- Ensure Group compliance to IT policies and processes; and
- Review from time to time the overall IT development profile of the Group and ensure that the IT strategy is inclusive and coordinated and appropriately resourced to encompass all requirements of affiliates in the Group.

CORPORATE GOVERNANCE

Finance & Regulatory Requirements Committee

The Finance and Regulatory Requirements Committee met five (5) times to deliberate on issues under their respective responsibilities.

Name	Role	Meetings eligible to attend	Number of Meetings attended
Mr Tei Mante	Chairman	5	5
Mr Aasim Qureshi*	Member	4	4
Mr Mfundo Nkuhlu	Member	5	5
Ms Arunma Oteh*	Member	4	4

*Mr Aasim Qureshi and Ms Arunma Oteh joined the Committee in the course of the year 2019.

The Group Chief Financial Officer or his designate is the Secretary of the Committee.

Responsibilities of the Finance & Regulatory Requirements Committee:

- Oversight of finance strategies, capital and liquidity;
- Reviewing the Company and Group's financial performance;
- Reviewing compliance with applicable financial regulatory requirements; and
- Reviewing certain corporate development matters as the Board may direct.

During the 2019 financial year, the Committee reviewed and recommended for approval term facilities, the 2018 Audited financial statements for the Group and the parent company, the quarterly financial reports, the budget including the capital and liquidity plans of the members of the Group.

Social, Ethics & Reputation Committee

The Social, Ethics and Reputation Committee met four (4) times to deliberate on issues under their respective responsibilities.

Name	Role	Meetings eligible to attend	Number of Meetings attended
Mrs Aichatou Pouye*	Chairperson	3	3
Dr Catherine Ngahu	Member	4	4
Mr Bashir Ifo	Member	4	4
Mr Aasim Qureshi*	Member	3	3

* Mrs Aichatou Agne Pouye and Dr Aasim Qureshi joined the Committee in the course of the year.

The Head of Environmental Risk & Sustainability is the Secretary of the Committee.

Responsibilities of the Social, Ethics & Reputation Committee:

- Overseeing and reviewing the positioning of the Ecobank brand to ensure that a clear strategy is being delivered to increase the value of the brand, as well as the Group's standing, reputation and legitimacy in the eyes of all stakeholders;
- Reviewing the processes by which Ecobank identifies and manages reputational risk in an effective and transparent manner, consistent with the Board approved Group Risk Appetite Statement;
- Ensuring Ecobank's adherence to statements regarding activities/businesses in which it will/will not be involved, in line with its brand promise; and
- Reviewing Ecobank's sustainable business priorities, assuring the Group has policies in place to respond to any issues arising from external factors.

During the 2019 financial year, the Committee reviewed and recommended for approval the Ecobank Group Communication Policy, a strategic plan on issues related to social, ethics and reputation matters of the institution, the Group Sustainability report as well as a programme for the review of the culture and ethics structure of the Group.

CORPORATE GOVERNANCE

Subsidiary boards

The subsidiaries operate as separate legal entities in their respective countries. Each subsidiary has a board of directors that has oversight functions over the management of the subsidiary.

ETI is the majority shareholder in all the subsidiaries, however, host country citizens and institutions often invest in the local subsidiaries. Each subsidiary has a Board of Directors, the majority of whom are Non-Executive Directors. The Group Governance Charter requires that country Boards be guided by the same governance principles as the parent company. The Boards of Directors of the subsidiaries are accountable to the subsidiaries' shareholders for the proper and effective administration of the subsidiaries in line with overall Group direction and strategy. These Boards also have statutory obligations based on company and banking laws in their respective countries. In the event of any conflict with Group policies, the local laws prevail.

Subsidiary governance model

With regards to the governance of its subsidiaries, the Group adopts a dual reporting model. The subsidiary's corporate governance is administered both by the local Board and the Group Board concurrently. Legally, the country Board has ultimate responsibility for the subsidiary, but ETI, as the majority shareholder (in some cases holding 100%) and as the 'Strategic Architect', has a duty to ensure that the subsidiary is run properly. As a result, the subsidiary CEO has dual reporting lines to the local Board and to ETI's Executive Management.

The local Board has access to the ETI governance and management structure. The local Boards are legally constituted, and directors' duties comply with the host country's legal system.

The subsidiaries at all times comply with the Group Corporate Governance Charter, subject only to local legal requirements.

Candidates for directorship positions in the subsidiaries are shortlisted by Directors of the subsidiary and ETI Directors, or other credible persons. The proposed candidates are then screened by the subsidiary Board in consultation with ETI.

Thereafter, the candidates go through the formal internal Board processes of the subsidiary, including Board committees and regulatory/shareholder approvals, as appropriate.

Executive share options

In 2019, no new ETI executive share options were awarded to Executives under the staff options scheme.

Related party securities trading policy

The Group has a code of practice for staff dealing in Ecobank securities that requires them to seek the approval of the Group Company Secretary, or the Company Secretary of a subsidiary of the Group, prior to the purchase of shares of the parent company or any subsidiary of the Ecobank Group. The policy makes it mandatory for such staff to disclose the nature of the securities, the amount to be invested and the nature of the transaction and their interest. The member of staff undertakes to ensure that the transaction is not in connection with the possession of any inside information, and further undertakes not to proceed with the transaction should he/she come into possession of any inside information, prior to the execution of the transaction.

Independence of Directors

The Governance Charter has an independence evaluation policy and a definition of an 'Independent Director'.

At least a third of the Board's members are expected to be Independent Directors. Generally, a Director will be considered to be independent if he or she satisfies all of the criteria set out in the Governance Charter.

A Director may, however, still be considered to be independent even though he/she does not satisfy one or more of the criteria, but only if the Board determines that not having such criteria will not impair his/her independence. The independence of the Directors is assessed annually.

Although not all the Non-Executive Directors need to meet the 'Independent Director' definition, all should be capable of exercising independent judgment and decision-making.

As at the end of December 2019, there were thirteen (13) Directors on the Board, including six (6) independent directors, namely Mr Emmanuel Ikazoboh, Mr Tei Mante, Dr Catherine Ngahu, Mr Alain Nkontchou, Ms Arunma Oteh and Mrs Aichatou Agne Pouye.

Board and Directors' performance

The Board takes several steps to ensure that Directors discharge their duties with the requisite competence and skills. Firstly, prior to an appointment, the Governance and Nomination Committee is required to carry out a competency assessment of potential candidates to ensure that they meet the necessary criteria.

The Governance Charter sets minimum competency requirements for each Director that must be met. Additionally, Directors receive appropriate induction and are expected to undertake ongoing professional development to meet the ever-changing demands of their roles. All Directors are expected to avail themselves of appropriate training courses, where necessary and at the earliest opportunity, to fulfil their competency requirements.

Evaluation of the Board

In accordance with the requirements of the Governance Charter, an evaluation of the Board was undertaken by an external consultant firm in 2019.

In summary, the report revealed that the Board was professional and effective, and that it dealt with governance and the softer aspects of performance. It also found that the Board's interaction with Management was good.

The Report made a few recommendations around Board succession and continuity, Executive Management succession, talent management and strategy, in order to further improve the performance of the Board and these are being diligently implemented.

Conflict of interest and related party policies

A Conflict of Interest Policy and associated procedures, covering all staff and Directors, are in place. Directors are required to complete standard forms each semester to confirm that no conflict of interest exists. No conflict of interest was identified in the discharge of the duties of the Directors.

The review of related party loans is conducted on a monthly basis and reported to the Board by the Risk Committee.

Assurance monitoring

The Internal Control and Internal Audit Charters provide the framework for the two functions and these are being reviewed periodically as the need arises.

Whistleblowing policy

Ecobank has implemented a Whistleblowing Policy and put in place a whistleblowing portal. The portal is a user-friendly system that generates reports and forwards them directly to the Group Executive Regulatory and Compliance, who is responsible for carrying out the necessary investigation. Issues may be reported online, using a designated website, following steps laid out in Ecobank's Whistleblowing Policy.

Ecobank's whistleblowing portal fully guarantees the confidentiality of information exchanged via the portal. A third party provider that specialises in providing whistleblowing services operates the portal and is independent of Ecobank's in-house IT systems This provides a secure environment for staff to report complaints or unprofessional behaviour. Members of staff reporting issues can do so anonymously.

Staff can report, without limitation, on issues such as:

- Theft, fraud, bribery or other forms of dishonesty;
- Harassment or discrimination;
- Accounting or financial irregularities;
- On the job drug or alcohol abuse;
- Violence or threatening behaviour; and
- Violation of laws, regulations, policies or procedures.

CORPORATE GOVERNANCE

Procedures for the independent investigation of allegations by whistle blowers and appropriate follow-up actions have been put in place. Cases are managed by the Compliance Unit and investigated by the Internal Audit Unit. The Board is informed of the cases and the progress made towards their resolution.

Directors' remuneration

The Remuneration Policy for Executive and Non-Executive Directors is embedded in the Group Corporate Governance Charter. Recognition is given to the new onerous Corporate Governance regulations that exist in many jurisdictions, which hold Board members individually and collectively responsible for the actions of the Board. Adequate compensation is given to attract and retain professional and experienced individuals to carry out these duties.

The Remuneration Policy for Non-Executive Directors is not intended to reward meeting attendance via per diem payments; rather, it reflects the responsibility, dedication and challenges inherent in the position. Efforts are made to ensure that the remuneration of the Directors continues to match the level in comparable organisations, whilst also taking into consideration Board members' required competencies and effort, together with the scope of the Board work, including the number of meetings attended.

External consultants undertake periodic remuneration benchmarking surveys. Once these surveys are concluded, the Board reviews the findings, and if required, submits resolutions for the review of directors' remuneration to the Annual General Meeting of the Company for approval.

Non-Executive Directors receive fixed fees for being on the Board of ETI. In addition, Directors receive attendance fees for Board and Board Committee meetings. Non-Executive Directors receive neither short-term nor long-term performance incentives.

The table below details the single total figure of remuneration per Non-Executive Director for the year ended 31 December 2019.

Name	Directors Fees (US$)	Sitting Allowance (US$)	Other Benefits (US$)[1]	Total (US$)
Mr Emmanuel Ikazoboh	150,000	8,000	15,000	173,000
Mr Abdullah Al Khalifa (Qatar National Bank)	25,000	-	-	25,000
Mr Monish Dutt	75,000	8,250	7,500	90,750
Mr Bashir M. Ifo (Ecowas Bank for Investment & Development)	100,000	9,000	15,000	124,000
Mr Brian Kennedy (Nedbank Group Limited)	100,000	11,250	-	111,250
Dr Dan Matjila (GEPF/PIC)	25,000	-	-	25,000
Mr Tei Mante	120,000	21,600	15,000	156,600
Mr Deepak Malik (Arise B.V)	27,989	750	-	28,739
Dr Catherine Ngahu	100,000	13,500	15,000	128,500
Mr Alain Nkontchou	100,000	12,000	15,000	127,000
Mr Mfundo Clement Nkuhlu (Nedbank Group Limited)	100,000	12,750	-	112,750
Ms Arunma Oteh	100,000	12,000	15,000	127,000
Mrs Aichatou Agne Pouye	100,000	14,250	15,000	129,250
Mr Aasim Qureshi (Qatar National Bank)	69,231	9,750	-	78,981
Mr David O'Sullivan (Qatar National Bank)	100,000	12,750	15,000	127,750
Total	**1,292,220**	**145,850**	**127,500**	**1,565,570**

In addition to the costs above, the Company reimburses, or pays for, all expenses reasonably incurred by the Non-Executive Directors including travel, accommodation and telephone calls, in carrying out their duties.

[1] Relates to airline tickets. Each Director is entitled to two first class airline tickets per annum, up to a maximum of $20,000 for both.

CORPORATE GOVERNANCE

Executive Management remuneration

Executive Management remuneration is made up of both fixed and variable pay. In determining the fixed remuneration, consideration is given to the complexity of the role, as well as the skills and experience of the individual. The purpose of fixed remuneration is to attract and retain talent by remaining competitive in the market, while rewarding ongoing contribution. Any salary increases are influenced by performance, based on pre-agreed metrics.

Variable remuneration is aimed at rewarding the Executive Management for the achievement of annual financial and non-financial objectives, which are key to the delivery of the Company's short-term and long-term strategy. Long-term variable renumeration aims to incentivise and reward the creation of long-term shareholder value.

Consistent with Ecobank's objective of being an employer of choice in our markets and in order to attract the best talent, Senior Executives are compensated with a combination of fixed compensation (salary, benefits and pension) and variable compensation (bonuses). The total remuneration paid to all Senior Executives during the 2019 financial year amounted to $13.1 million, in 2018 it was $14.2 million.

Code of conduct

There is a code of conduct for directors of the Ecobank Group. It requires a director, whilst acting in the best interest of the Group as a whole, to take account of the interests of the Group's shareholders, employees and creditors, and, where appointed as a representative of a special class of shareholders, employees or creditors, to give special, but not exclusive, consideration to the interests of that class.

The Code prohibits a director, without the consent of the Board, from placing himself/herself in a position such that his/her personal interest conflicts, or could be seen to conflict, with his/her duties to the Group.

It also prohibits a director from entering into any contract on behalf of the Group, or any of its subsidiaries or affiliates, in which he/she, or any director of the Group or any associated company, may have material interests, whether directly or indirectly, unless a Board resolution has been passed to approve the contract. There were no breaches of the Directors' Code of Conduct in 2019.

Dispute resolution policy

A Dispute Resolution policy is embedded in the Corporate Governance Charter. It sets out the Board's procedures for resolving disputes between Board members. It always applies to all Board members in the performance of their duties.

The Governance and Nomination Committee is the resolution body for disputes within Ecobank's Board. The Committee recommends a course of action for the consideration by the full Board, if necessary. Where the dispute involves a member or members of the Governance and Nomination Committee, the Chairman of the Governance and Nomination Committee designates impartial Board members to intervene on behalf of the full Board.

Parties involved in the dispute are expected to acknowledge the dispute respectfully, listen objectively to the issues raised and consider the opinions of others. The Chairman of the Governance and Nomination Committee ensures that the dispute is discussed openly and that questions are asked of all the parties involved to formulate remedial action.

No such disputes arose between Board members in 2019.

Governance structures within the Ecobank Group

The Ecobank Group Corporate Governance Charter clarifies governance structures throughout the Group.

The Charter essentially covers the following areas:

- The role of the parent company;
- The relationships and interfaces between the parent company and its subsidiaries; and
- The standard of conduct and procedures for Directors.

The following comprise the governance units within the Group:

- Parent Company ('ETI') Board of Directors;
- Country Board of Directors;
- Group Executive Committee;
- Business Leaders' Conference; and
- Country Executive Management Committees.

There follows a brief overview of the role and responsibilities of each of the governance units.

Parent Company Board of Directors

The Board of Directors of ETI is elected by, and is accountable to, shareholders for the appropriate and effective administration of the Ecobank Group. Their primary responsibility is to foster the long-term success of the company, consistent with its fiduciary responsibilities.

Comprehensive profiles of all the Directors are to be found on pages 52-56 of this annual report. The Board of Directors met seven (7) times during 2019.

Group Executive Committee

In 2019, the Group Executive Committee ('GEC') comprised the following:

- Group Chief Executive Officer;
- Group Chief Financial Officer;

- Group Executive, Commercial Bank
- Group Executive, Consumer Banking;
- Group Executive, Operations and Technology;
- Group Executive, Corporate and Investment Bank;
- Group Company Secretary/General Counsel;
- Group Head, Internal Audit;
- Group Chief Risk Officer;
- Group Executive, Human Resources;
- Group Executive, Regulatory and Compliance
- Regional Executive, Central, Eastern and Southern Africa;
- Regional Executive, Nigeria;
- Regional Executive, Anglophone West Africa; and
- Regional Executive, West African Economic and Monetary Union.

The GEC meets monthly and is responsible for the day-to-day operational management of the Group and its subsidiaries.

The GEC is responsible to the Board and plays an important role in the Group's corporate governance structure. The GEC manages the broad strategic and policy direction of the Group, makes submissions to the Board for approval, where necessary, and oversees their implementation.

The GEC has decision-making powers in specific areas of Group Management. In particular, the GEC works with, and assists, the Group Chief Executive Officer to:

- Define and develop Group strategy;
- Confirm alignment of individual subsidiary's plans with overall Group strategy;
- Track and manage strategic and business performance against plan, at Group and subsidiary levels;
- Implement Group policy and decisions;
- Make recommendations regarding human resources issues;
- Recommend the opening or closing of subsidiaries;
- Articulate appropriate response to environmental factors, regulations, government policies, competition and other such issues across the Group;
- Articulate policies for advancing Group objectives; and
- Make important decisions in areas for which authority is delegated to the GEC.

Business Leaders' Conference

The Business Leaders' Conference ('BLC') is a collegial group of all subsidiary CEOs and Group functional heads that has been constituted to encourage collaboration in strategy and policy formulation. It comprises the GEC, all subsidiary CEOs and Group Heads. The GCEO is the Chairman of the BLC.

The BLC is the primary coordinating body for Group cohesion and integration, and the implementation of Group strategy.

The BLC is a consultative body and not a decision-making body. It plays a key role in facilitating the harmonisation and integration of Group strategy. Its role includes:

- Sharing and disseminating information, experiences and best practice across the Group;
- Initiating policies that encourage integration and promote the 'One Bank' concept;
- Promoting integration and standardisation of Group policies and procedures;
- Promoting and monitoring compliance with Group operational standards; and
- Contributing to the formulation of Group policies.

Country Executive Management Committee

The Country Executive Management Committee consists of the Managing Directors and other senior executives of each subsidiary. In addition to the day-to-day management of the subsidiary's operations, the role of a Country Executive Management Committee includes the following:

- Aligning strategic objectives and operational plans with overall Group strategy;
- Defining business goals and objectives for the country's operations;
- Approving business unit direction and strategies;
- Making decisions on operating plans and budgets;
- Reviewing the financial reporting and control framework;
- Tracking and managing country strategy and business performance against plan;
- Tracking and monitoring progress and accomplishments of major initiatives and projects at country level;
- Articulating appropriate responses to environmental factors, regulation, government policies, competition and other such issues in the country;
- Articulating policies for advancing business objectives in the country;
- Advising the parent company on adaptation of overall strategy to the specifics of the local environment; and
- Advising on local laws and regulations impacting on Group policies.

SUSTAINABILITY REPORT

Ecobank sustainability stewardship

Ecobank is fully committed to the United Nations Sustainable Development Goals (SDGs) 2030 Agenda. The global agenda has continued to underpin our corporate sustainability stewardship in Ecobank by stimulating knowledge and information access for creating a better world from the banking and finance industry. The agenda is also helping to translate the global aspirations into the regional and sub-regional socio-economic and environmental development nexus activities. The SDGs provide internationally accepted guidelines upon which Ecobank steadfastly enhances the sustainability and resilience of its businesses and operations. The Bank embeds environmental and social considerations into all its banking and financial products and services to better account for and manage both risk and impact. In addition, the Bank continues to recognise the interlinkages in integrating economic, social and environmental aspects throughout its businesses to achieve the tenets of sustainable development goals in all its dimensions.

Managing sustainability in Ecobank

The Social, Ethics and Reputation Committee of the ETI Board and the direct management of the Group Chief Risk Officer, oversee Ecobank's intent and the achievement of SDGs by aligning business interest and focus on areas where the bank has most comparative advantage. The Bank publicly discloses progress and achievements in these areas by preparing implementation reports which are submitted annually to the United Nations Global Compact and other Environmental, Social and Governance (ESG) frameworks to which it subscribes. In an interlinkage approach between the SDG targets and Ecobank actions, the current work of Ecobank can be integrated with the following SDG targets: 1, 2, 5, 7, 8, 9, 13, 15 and 17. This is shown in the table below, which maps actions taken by Ecobank towards its achievement of SDGs in the selected focus areas in 2019.

SDGs	Target	Ecobank's Action
1	No Poverty	The Bank contributes to reducing the poverty gap and severity by stimulating investment-led growth in the economic performance of its host countries.
2	Zero Hunger	Ecobank is actively involved in upstream, mid-stream and down-stream agricultural value-chain activities. The bank is driving market access efficiency, market supply consistency and market returns improvement through stakeholder partnership collaboration to reduce famine and ultimately eliminate hunger.
5	Gender Equality	Ecobank has adopted gender mainstreaming as its approach to achieving gender equality in its business and operations. Furthermore, the bank prohibits all forms of discrimination, particularly when based on gender. In so doing, the Bank has developed innovative solutions that are shaping its business and operations to enhance further gender equality and ensure the inclusion of women in the decisions that are shaping the global financial system.
7	Affordable and Clean Energy	The Bank is retrofitting energy supply for its infrastructure and office equipment with solar, while at the same time, encouraging its clients to consider using modern low-carbon energy sources such as gas to replace diesel. In line with this, the Bank organises training for its Account Relationship Officers with client interface responsibility to identify and harness opportunities for clean and affordable energy business.
8	Create Job Opportunities for all	Ecobank is building on its African experience and expertise gained in financing businesses and development activities, including the education sector across its geographic footprint in Africa, with continuous efforts to stimulate job opportunities and management skills development for Africa's teeming youth.
9	Industry, Innovation and Infrastructure	The Bank is financing infrastructure development to drive industrialisation and technological innovation in an environmentally friendly, socially acceptable and energy efficient manner. This is in fulfilment of the bank's commitment to investment in infrastructure development and economic transformation as a key driver of sustainable growth.
13	Climate Action	The Bank is acting upon the profound linkages between a healthy financial system, transition to a green economy and the pursuit of long-term sustainability to combat global warming and climate change.
15	Life on Land	Biodiversity (in the Ecobank context) is the variability among living organisms from all sources, including terrestrial, coastal and other marine as well as sensitive ecosystems The protection and conservation of biodiversity and sustainably living natural resources are integral to the Environmental and Social Risk Management unit within Group Risk Management at the Bank.
17	Partnerships	Ecobank is working with the United Nations agencies, regional and bi/multilateral development agencies in promoting sustainable development financing.

Ecobank Sustainability Framework

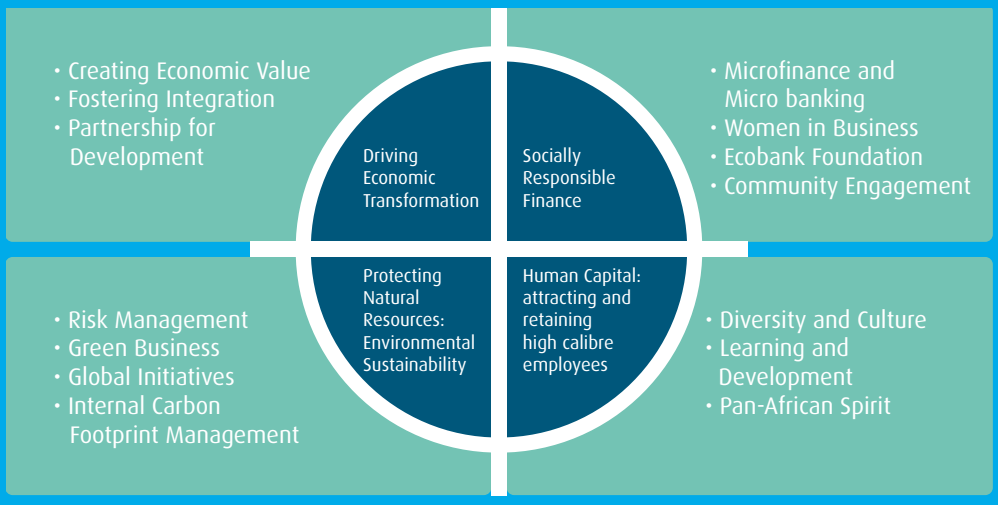
The Bank's Sustainability Framework, which was developed in 2011, defines its objectives, inspires the strategy and guides the assessment of its journey and adherence to SGDs, the Paris Agreement on Climate Change and the Sendai Framework for Disaster Risk Reduction.

It focuses on four thematic areas that support values and growth, with indicators that can be integrated with Global Reporting Initiative (GRI) standards to outline the Bank's actions as it strives towards achieving its SGDs focus. The thematic areas of the framework are stimulating sustainable economic transformation; promoting socially responsible banking; driving human capital development; guiding the management of natural resources; and protecting the environment in our business and operations.

The Framework reflects:

- Our stakeholders' approach to sustainable development;
- Our need to balance profitability with the protection of our planet and the fight against poverty;
- Our serious consideration of the welfare and development of the communities in which we operate; and
- Our consistent factoring of social and environmental concerns into our business operations.

We are constantly exploring innovative ways to drive our business and meet the expectations of our collective stakeholders while charting forward Ecobank's sustainability stewardship.



SUSTAINABILITY REPORT

Impacting sustainability in our consumer banking

In 2019, we broadened our mobile banking offering by releasing a new version of the Ecobank Mobile App, which is our flagship mobile banking channel, with additional features and improved user experience. Registered users grew 24% to almost 11 million, and 55 million transactions worth $2.7 billion were processed via Ecobank Mobile. We delight in offering instant digital account opening, fund transfers domestically and to 33 African countries, issuance of virtual cards and a lot more, all digitally, without the need to travel to a branch or to use paper. We also introduced our virtual chatbot, Rafiki, on both Facebook Messenger and WhatsApp, to provide additional convenience for our mobile banking users.

In some cases, such as when making cash deposits or withdrawals, customers have to interact with a physical touchpoint, so we introduced Xpress Points, our agency banking channel, conveniently located in the neighbourhoods where people live and work. We expanded the agency network by 187% to almost 40,000 locations in 2019 and it collectively processed 2.1 million transactions, worth $1.7 billion, while saving consumers both time and transport costs. We also broadened the services available on this platform from simple cash deposits and withdrawals to include remittances, bill payments, digital account opening and more.

Ecobank's network of small and large merchants accepting EcobankPay, an instant digital push payment solution, increased to over 182,000 businesses. We also launched XpressLoan, a digital-only loan in collaboration with MTN and a fintech partner in Ghana. The model leverages fintech digital credit scoring expertise and the reach of mobile network operators in collaboration with a bank and it is successfully meeting the growing demand for microloans across sub-Saharan Africa. We disbursed over $125 million of loans to 940,000 mobile money wallet holders in the first 6 months, all digitally without any paper forms or visits to branches. We are rolling out this product to additional markets in 2020.

Socially responsible banking

The Ecobank Foundation is strengthening internal partnerships with the Ecobank Academy and our business divisions to collaborate with external partners. By the end of 2020, the Foundation intends to enable Ecobank to contribute to Africa's transformation through all the different capabilities of the Bank. Health, education and financial inclusion are the vehicles used by the Foundation to address life-threatening diseases and achieve sustainable positive social change in Africa.

In 2016, the Foundation's strategy created a mechanism to collaborate internally and externally in driving the bank's contribution towards Africa's transformation through its focus on developing capacity and financial services. Fast-track to 2019, and we have made significant progress in linking our core capabilities to the strengthening of health systems and communities. In doing so, based on our focus on health, education and financial inclusion, we have established new partnerships and strengthened our ongoing collaborative initiatives. These include our partnership with the International Federation of Red Cross and Red Crescent Societies (IFRC) and our collaboration with the Global Fund.

In our partnership with IFRC, we agreed to collaborate in empowering local communities to cope with disasters more efficiently. This ensures that IFRC and Ecobank can build their community engagement through their own core capabilities. Through the partnership, Ecobank supports voluntarism in aid of the development in our host communities. Furthermore, through the Foundation, the bank is in partnership with the National Red Cross and Red Crescent Societies across Africa to fundraise in support of local first aid volunteers, using the Ecobank Mobile App platform with unique QR codes. As regards learning and development, the Foundation is collaborating with the Ecobank Academy's organised training for IFRC staff, through the development of customised programmes based on the needs of National Societies, in collaboration with IFRC Africa.

Our partnership with the Global Fund continues to evolve with the Ecobank Academy's design and implementation of the training component of the Global Fund grant. Ecobank Academy's staff and faculty facilitated and delivered training on fund management at the Pan African Centre, Lomé, Togo, to 48 finance managers of Global Fund beneficiary organisations from 16 countries (Cameroon, Chad, Central African Republic, Côte d'Ivoire, eSwatini, Guinea, Kenya, Lesotho, Liberia, Namibia, Niger, Senegal, Sierra Leone, The Gambia, Togo and Zambia). The bespoke and blended programme strengthened skills in leadership, financial management and strategy execution for the finance managers of the Global Fund's health programmes. Working with these finance managers also enables us to strengthen our own understanding of health programmes. The strength of these internal collaborations means that we can support development organisations through the core capabilities of our entire Group.

A training session organized by Ecobank Academy for the financial managers of Global Fund.

Group Chairman Sustainability Award (GCSA)

The inaugural GCSA competition was held during the ETI Annual General Meeting in April 2019, with Ecobank Ghana emerging as the ultimate winner. The competition rewards Ecobank affiliates successfully combining innovation and climate change viability with outstanding economic, social, environmental impact and business performance. It inspires Ecobank operations and businesses to carry out their activities in a more environmentally friendly and socially acceptable manner, while at the same time charting forward the Ecobank corporate sustainability stewardship.

Below are photos from the Sustainability Award dinner held at the Pan African Conference Centre at ETI, Lomé, on 24 April 2019, on the eve of ETI's Annual General Meeting.

Samuel Adjei (left), the Honorary Sustainability Champion

Daniel Sackey (left), Managing Director of Ecobank Ghana, winner of the 2018 Sustainability Award

Cross-section of participants at the Sustainability Award dinner

Ade Ayeyemi, GCEO, addressing the Sustainability Award dinner

Eric Odhiambo, Group Chief Risk Officer, giving a vote of thanks

SUSTAINABILITY REPORT

Ecobank Day 2019: Creating awareness about the prevention of Non-Communicable Diseases

Non-Communicable Diseases (NCDs) account for over 70% of deaths worldwide, with more than three quarters of the deaths occurring in low and middle-income countries. Ecobank is committed to addressing the NCD challenges facing the continent by raising awareness of NCDs and the lifestyle changes that will help prevent them across Africa.

Over the next three years, Ecobank is supporting the awareness and prevention of NCDs via its Group-wide campaign - Together for Better Health - and its annual Ecobank Day programme. Ecobank Day enables the Bank and its 16,000 staff across 33 countries in Africa to 'give back' to communities, with the 7th edition of Ecobank Day being held in 2019.

On Ecobank Day 2019, Ade Ayeyemi, Group CEO said: "This year and for the next three years, our staff have asked that we put emphasis on Non-Communicable Diseases, as they are affecting a large number of families in our communities. NCDs are preventable or manageable if diagnosed early. However, with late diagnosis or poor treatment follow-up, NCDs can negatively impact the quality of life."

Alongside authorities, and international and civil society organisations in our countries, Ecobank is raising awareness and carrying out screening activities. Many Ecobank affiliates took part in 5km walks to encourage communities to exercise regularly and NCD screenings were offered free to provide access to quality health services. Conferences also took place in some countries to create awareness of NCDs and Ecobank employees raised funds to support free NCD screening and treatment.

This was just the beginning of our commitment to take a stand against NCDs, as we are hosting year-round events and activities and encouraging fitness, in the cause of 'Together for Better Health'. Below are photos of Ecobank Day from across the Group to commemorate our NCD awareness campaign addressed above.

Togo: Ecobank staff at their fitness session

Togo: a fitness instructor

Nigeria: Ecobank staff on their organised walk

Burkina Faso: Ecobank staff on their NCD walk

Liberia: Ecobank staff on their organised walk

Togo: Ade Ayeyemi, GCEO, arrives at the fitness venue

Côte d'Ivoire: Ecobank staff jogging

Côte d'Ivoire: Medical check-up

Côte d'Ivoire: An Ecobank staff member wearing an NCD awareness T-shirt

SUSTAINABILITY REPORT

Ecobank solar plant

Under the auspices of the Group Executive, Operations and Technology, a state-of-the-art solar energy retrofitting project is being implemented across the Ecobank Group, with a pilot phase in Ecobank buildings in Benin, Côte d'Ivoire, Ghana, Senegal and Togo.

At the Ecobank Headquarters in Togo, a set of 1,728 panels with nine inverters of 75w/hour producing a total of 630 kw/h (peak), have been installed to generate the daytime power requirements for the entire facility. This reduces the grid power consumption from Togo Electricity by nearly 50% during the day and reduces CO2 emissions, thereby shrinking the organisation's carbon footprint. In addition, ETI is poised to channel the excess power generated by the solar panels over weekends and holidays to supplement power consumption by security agencies in Lomé, Togo and in other Ecobank host countries. This means that the installation of solar retrofitting technology at the Lomé headquarters of Ecobank is helping to reduce costs, stimulating the adoption of renewable energy, positioning the Bank as an environmentally responsible institution and charting forward the Bank's corporate social stewardship

Togo: Solar panels at Ecobank's Pan African Centre

Ecobank Togo: Solar panels at the University branch

Ecobank Ghana: Solar panels at the Tamale branch

Ecobank Cote d'Ivoire: Solar panels at the Rue des Jardins branch

Sustainability stewardship

Thought Leadership - Ecobank at the side event on Financial Inclusion at the 74th United Nations General Assembly:

On 24 September 2019, Mr Dan Sackey, Regional Executive for AWA and Managing Director of Ecobank Ghana, attended a United Nations Capital Development Fund (UNCDF) side event on 'Building Partnership for Inclusive Digital Economies', during the 74th UN General Assembly at the UN Secretariat, New York, USA. The event provided a platform for panellists to discuss how to promote financial inclusion as an enabler to attaining the 2030 Sustainable Development Goals (SDGs). Mr Sackey articulated the linkages of financial inclusion to goals 1, 2, 3, 4, 5, 8, 9 and 10. He also cited practical examples to show how Ecobank has been leveraging collaborative partnerships to drive the Bank's initiatives on the SDGs.

Plastic Waste for Cash Initiative in Ecobank Nigeria (ENG):

The Green Award-winning Plastic Waste for Cash is an initiative of ENG, which was implemented in collaboration with the Lagos State Ministry of Environment and the Lagos Waste Management Authority (LAWMA). It has improved environmental sustainability and community health development in Lagos by rewarding low-income residents for collecting plastic bottles from the street. By 30 June, ENG's initiative had stimulated the collection of nearly 1.3 million plastic bottles, which were subsequently deposited at a landfill site in Lagos for recycling. Collectors were incentivised with 30 naira for every kilogramme of plastic bottles collected and the ENG earmarked N3 million as rewards for the collection of four million plastic bottles.

ETI donations in 2019

Donation type	Amount ($)
Cash	250,000
Training delivered through Ecobank Academy	250,000
In-kind contribution	500,000
	1,000,000

Note: The $1 million of donations were made to the Global Fund

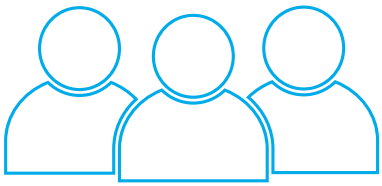
PEOPLE REPORT

A Focus on Organisational Culture, Organisational Effectiveness and Digital Transformation to Drive Business Results

Employee data

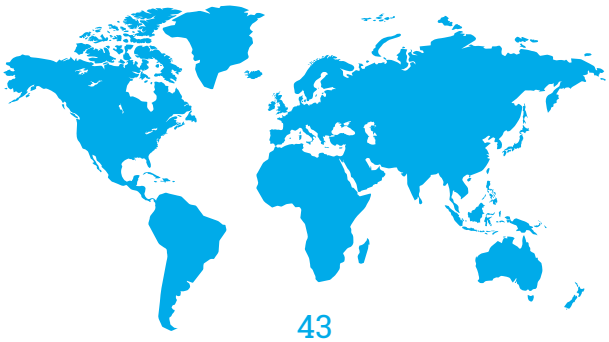
As of 31 December 2019

Number of employees:

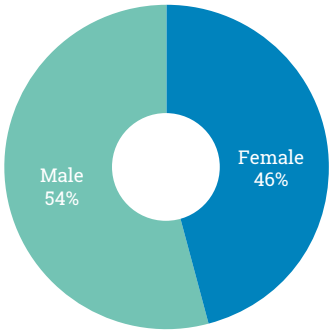


14,878

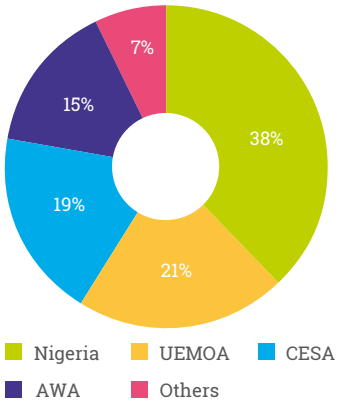
Nationalities:



Female Representation:



Employees by geographic regions:



*Others – eProcess, EBISA, EDC, RV & ETI

2019 Strategic HR priorities

Our people agenda has remained a pivotal pillar of our corporate strategy as we continue to digitise transactions and processes not only our customers but also ourselves to meet the evolving realities of our industry. For us, the transformation is not merely how we make our offerings accessible digitally, it is also about how we digitise our internal processes, develop capabilities and drive the digital-first mindset in all our 14,878 employees.

In 2019, following up on the gains already made in previous years, we focused on the following areas of our People Strategy:

Core Priorities	Ongoing Focus and Institutionalisation
1. Organisational culture	4. Learning and development
2. Organisational effectiveness	5. Talent management process
3. Employee efficiency	6. Performance management

We also gave a greater focus to how our people are organised and we worked with the leadership teams to identify areas where we can improve efficiencies and productivity, to better meet customer needs while driving business outcomes for sustainable shareholder returns.

1. Organisational culture

To review our culture and values, the Bank launched the Culture, Conduct and Ethics (CCE) Programme. In 2019, we administered an anonymous survey to 9,300 staff, held 300 focus group sessions and conducted one-to-one interviews with staff from all levels of leadership and those on the front line. The insights gleaned helped develop an understanding of the strengths of the organisation, as well as the critical areas that we must focus upon to deliver the desired organisational culture. At the end of the review, Ecobank decided on six core values that would define all that we do:

Ecobank core values

1. Respect
2. Accountability
3. Client-centricity
4. Excellence
5. Integrity
6. Teamwork.

To ensure that this transformation is institutionalised, in 2020 we will commence a series of engagements that start with the rollout of Leadership forums to the Board, Group Leadership Team and in all our affiliates. The Leadership forums provide an opportunity for the organisation to revisit its purpose, understand the newly introduced values, create awareness of the Ecobank pledge, understand our new decision-making framework and what all of this means to how performance will be assessed going forward.

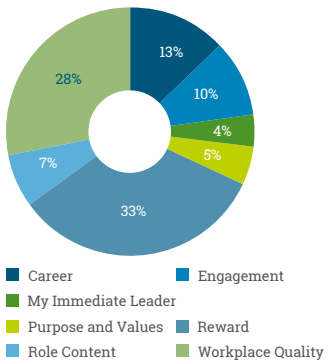
Furthermore, the HR teams across the group are committed to implementing the outcomes and recommendations from all surveys, focus groups and upcoming leadership engagements. Some of the HR focus areas include, among other things, training for all levels of leadership and the inclusion of a values-based behavioural framework into our performance management process.

2. Organisational effectiveness

a. Employee engagement

Cognisant of the correlation between staff engagement, company performance and overall customer experience, employee engagement is another area of focus. In 2019, the results of the employee engagement survey provided insights into the areas which we needed to improve. While some of the solutions to areas of improvement are affiliate or region-specific, we have also been deploying Group-wide solutions to ensure we further improve the overall engagement of our people, which currently sits at 70% (2% higher than 2018). All of the key actions will be completed before the launch of next year's survey, which will be our third Group-wide survey.

Employee engagement actions being implemented across the group



PEOPLE REPORT

Below is a snapshot of some of the actions being implemented to improve the engagement of our staff:

I. Reward: We continue to further embed our Group Bonus scheme, which was implemented across the entire Group in 2019. We believe the short-term and long-term incentive plans will further align performance and rewards more closely with the long-term sustainability of our business results.

II. Career Management: While we have a lot of inspiring career development cases across the Bank, we wanted to ensure that this time around we provide all interested staff with the tools and processes to create their own career roadmap/paths. To do this, we have officially launched a Group-wide career portal that allows staff and managers to have all in one access to the tools which will advance their careers within the Bank. One of the biggest advantages is the ability for staff to design their careers by using a competency-based approach. This world-class tool was developed internally, therefore providing tangible savings.

III. Other initiatives to drive employee engagement: To ensure continued focus on employee engagement, we have included specific KPIs (for Leadership levels) aiming at improving the current engagement level as we strive to have all of our staff engaged.

b. Organisation design

In 2019, we revised the organisational structures for all three of our businesses - Corporate and Investment Bank, Commercial Bank and Consumer Bank. The organisational redesign initiative will enable us to ensure consistency and alignment between employee's grading/career level with compensation and benefits. This will also increase employee engagement.

3. Employee efficiency

During the past three years, we have made the investments needed in technology enabling us to shift from just 'physical' to 'digital' and reduce our cost-to-serve. With a combination of our delivery channels – digital channels, traditional branches, agencies and partner networks – we believe we will soon see a large and positive impact on our business. We also understand that technology and delivery channels alone will not be enough. That is why we are mobilising other elements of the bank, including: a constant drive for sustainable operational efficiencies, while leveraging our unique pan-African presence.

We approach employee efficiency as two sides of the same coin: (a), one side focussing on equipping our people with the necessary tools to better serve our customers; and (b), the other side is to ensure that our staffing ratio reflects our customer, operations, technology, controls and broader business needs.

a. Investment in upgrading our banking tools

In 2019, we finalised the deployment of an upgrade of our core banking application across all regions. This upgrade is providing our staff with world-class tools to deliver customer experience, which is one of our focus areas. Our Learning and Development Teams across the Group have played a key role in ensuring that all employees are trained and provided with the tools and manuals needed to maximise the value of the application.

b. Improving HR systems

We have also started the process of improving our current Human Resources Information System. The objective is to fully automate employee data and processes management, simplify data analytics and improve the overall employee experience.

c. Building strategy support capabilities within the organisation

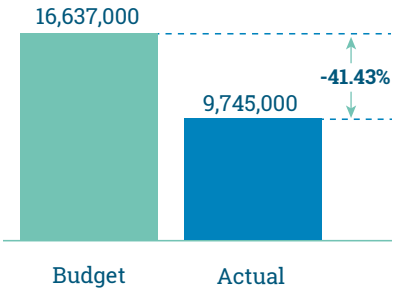
Through our skills assessment process, we have identified the gaps where we require additional capabilities to support growth. In line with this requirement, we have actively identified and upskilled the critical roles which are key to business success.

4. Learning and development

As our organisation continues to evolve, learning and development is playing a critical role in ensuring that we effectively execute our corporate strategy for sustained shareholders' returns. In 2019, the Group Learning and Development (L&D) team continued to embed the delivery of learning interventions designed to drive the performance of our business. Through our cost-effective, scalable and high-impact business-driven programmes, in 2019 our L&D team trained more than 17,069 staff and contractors through 1,868 courses. To achieve this scale, programmes were delivered using a blended learning approach that combined e-Learning platforms and instructor-led classes.

Learning and development update - 2019

Investing in our people efficiently



Number of strategy execution sessions delivered

3264

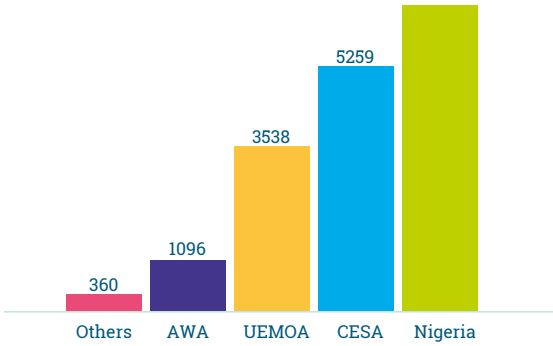
Sample list of programmes delivered

1. Branch Management
2. Credit and Risk Management
3. Sales and Product Development
4. Operations and Digitalisation
5. Leadership Development
6. Customer Experience

Number of programmes Delivered in 2019

1868

Number of staff[1] trained by region



[1] Includes staff, contractors and interns

PEOPLE REPORT

We delivered 1,868 courses through our corporate university, the Ecobank Academy, and its satellite campuses in all four regions. While we design all programmes centrally, we managed to deliver 90% of all instructor-led programmes locally to drive effective on-the-job application and to reduce the travel costs associated with the training. Through these programmes we are building capabilities to drive efficiencies, digitisation and transform our branch network. Furthermore, these programmes are strengthening core skills in areas ranging from sales, products, leadership and management, AML/CFT, cybersecurity, banking operations, customer experience, strategy execution process, and operationalisation of new systems (e.g. Flexcube 12) in all remaining affiliates. Furthermore, in 2019, we continued to develop credit and risk management skills across the Group as we improve the quality of the portfolio.

As we deploy these critical learning interventions, we are always looking for ways to drive savings without jeopardising the quality of our programmes. We are making notable progress due to an increase in the number of faculties at the Academy, as well as an increase in the number of programmes delivered via e-Learning platforms; including the Ecobank Virtual Banking Institute.

a. Programme highlight: customer experience

Our firm believes that Customer Experience is pivotal to achieving our ambition as a world-class pan-African bank and as the backbone of the various business initiatives currently in place to grow shareholders' value. The Learning & Development team co-delivered CX programmes which reached Leadership and Management levels of the Bank. The team also developed the capability (through the train-the-trainer) to cascade this critical value across all levels of the organisation, in a sustainable manner.

b. Programme highlight: Senior Management Programme

The Ecobank Senior Management Programme (SMP) was a programme crafted and delivered in the last quarter of the year to overcome identified knowledge gaps faced by the organisation's senior leadership.

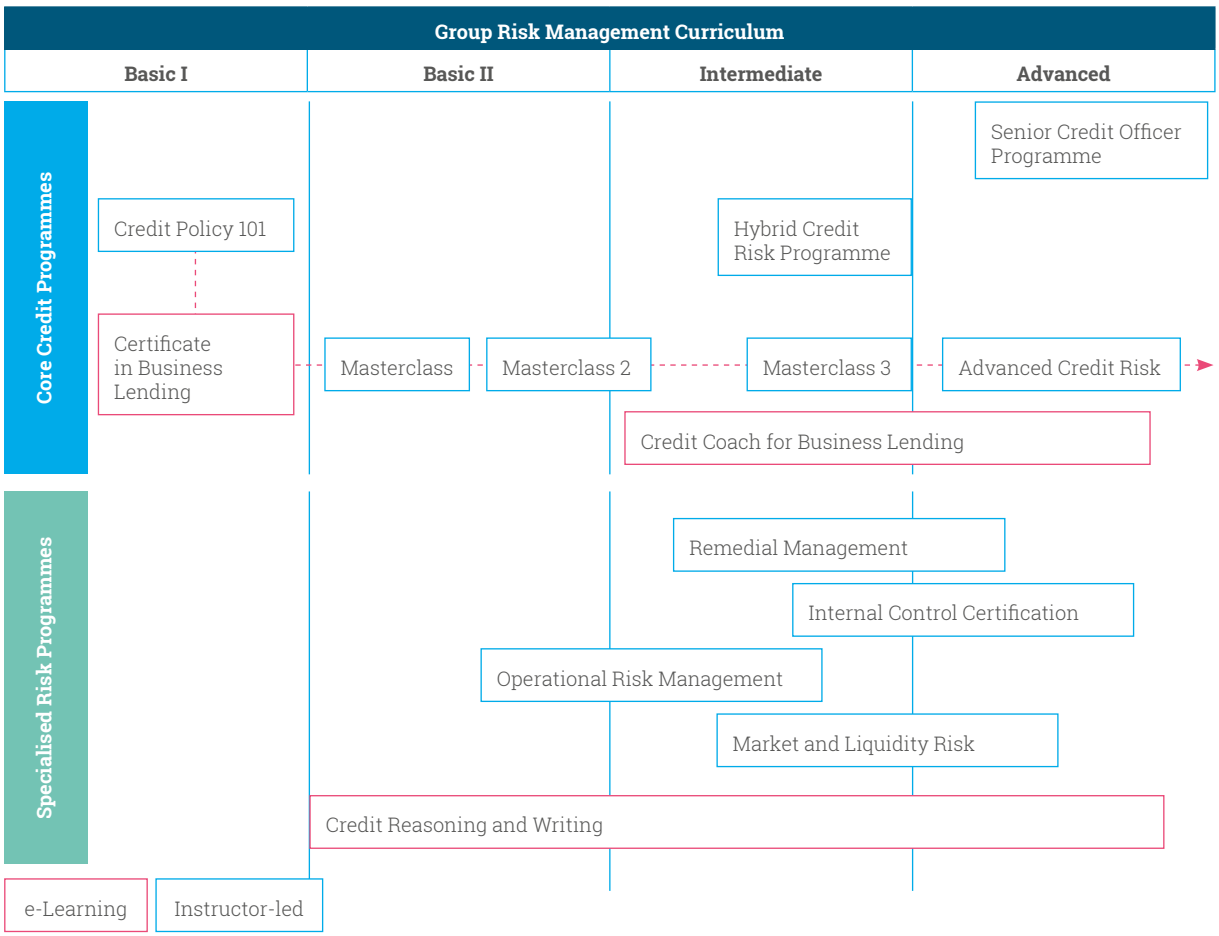
It was successfully delivered to a cross-functional team spanning business lines, middle-office and back-office functions. Given the success of the programme, the plan is to continue to run it with the objective of steadily growing the bench-strength of agile minds to actively drive the digitisation agenda of the organisation.

c. Programme highlight: Ecobank Branch Management Academy

Through the Ecobank Branch Management Academy, branch managers are the subject of a focused effort to upskill them and equip them to deliver on set targets. During the last quarter, a blend of Sales Transformation and Product knowledge modules were delivered through tried and tested sustainable methods. Instructor-led sessions were blended with e-learning, to maximise the benefits of both approaches. Through these efforts, branch managers in all regions have been reached with this much-needed training, which is designed to contribute to accelerating performance at the branches. Learning and Development is following up with the teams on the ground to ensure the right implementation of techniques learned and the application of values acquired in the training programmes.

d. Programme highlight: risk management and controls

Learning and Development continued to underscore the Bank's Risk Management effort through the Group-wide Credit Risk curriculum as well as Market and Liquidity programmes. The curriculum was further strengthened with the introduction of Operational Risk courses and an integrated Remedial Management learning solution, through a blended delivery approach, being online and instructor-led. Both programmes were concluded with robust Group-wide post-training assessments. These learning interventions have contributed significantly to the efforts being made by the Bank to improve the quality of its portfolio. Teams have been equipped with the competencies to foresee early signals and avoid further creating bad credit records.


Group Risk Management Curriculum
Basic I
Basic II
Intermediate
Advanced
Core Credit Programmes
Senior Credit Officer Programme
Credit Policy 101
Hybrid Credit Risk Programme
Certificate in Business Lending
Masterclass
Masterclass 2
Masterclass 3
Advanced Credit Risk
Credit Coach for Business Lending
Specialised Risk Programmes
Remedial Management
Internal Control Certification
Operational Risk Management
Market and Liquidity Risk
Credit Reasoning and Writing
e-Learning
Instructor-led

PEOPLE REPORT

Five Years of Ecobank Academy

In August 2019, Ecobank Academy reached five years since it became fully operational back in 2014. Ecobank Academy continues to transform how our staff work and bring about efficiencies in the development of business-driven skills. Today, we are proud to see how the Academy leads the way as one of the largest corporate universities ever created in Africa.

As communicated in the previous annual report, through the Academy, we continue to expand our satellite campuses across the Group, which enables us to realise our design centrally, deploy locally approach. It is this and other measures that allow us to realise savings while delivering consistent quality across the Group. Furthermore, Ecobank Academy continues to extend its services to external organisations, including the African Union, Global Fund, IFRC and some of the UN agencies, that will be working with the business and Ecobank. Furthermore, the Academy is positioned to acquire more international accreditations in 2021.

A snapshot of how the Academy is transforming the continent by empowering the African youth and entrepreneurs

As the Ecobank Academy continues to expand its work across the region, it is also playing its role in supporting the socio-economic development agenda of the continent. Below is a sample list of initiatives that the Ecobank Academy, in collaboration with Ecobank Foundation, embarked upon in 2019.

(i). Following the launch of the African Union's Chairperson initiative targeting youth, named 1 Million African Youth. By 2021, Ecobank's Group CEO pledged to use the Ecobank Academy to provide the technical support needed to impact as many youths as possible.

(ii). Another notable example of how the Academy continues to expand its work is on our mentoring programmes targeting young Togolese Social Entrepreneurs. This programme is delivered within the framework of a partnership between the Togolese Government, the US Embassy in Togo and the Ecobank Group, and its expected outcomes are the creation of a healthy pipeline of early-stage businesses for the commercial segment, in addition to developing internal staff leadership skills and impacting the Togolese youth.

Ecobank Academy hosted the inaugural session training 100,000 African Entrepreneurs SMEs.

(iii). The Ecobank Academy, in collaboration with Consumer Banking and Ecobank Foundation, has partnered with the African Union Youth Division to run a Leadership Development programme in Cairo, Egypt and a Design workshop for the African Youth Mental Awareness Programme in Accra, Ghana. Both sessions had representatives from all 55 member states of the African Union.

(iv). The Ecobank Academy has started the design process for its Africa SME development toolkit in partnership with our business units. The toolkit will bring innovation into how financial management, business acumen, controls and risk, strategy execution, governance and leadership development are deployed in a variety of ways to reach as many entrepreneurs as possible.

In 2019 we launched another Ecobank Academy campus in Accra, Ghana.

5. Talent management

By leveraging on our regional talent reviews, we continue to embed talent management processes across the Group. This, among other things, enables us to have the right bench strengths to drive the business objectives and overall talent sustainability of the firm.. Our talent agenda focuses on the following core areas:

1. Ethics, Values and Purpose Driven
2. Robust High Potential Development Programmes
3. Young Dynamic Workforce
4. Disciplined in Execution
5. Continuous Learning Culture
6. Ecobank Women Development.

As we move forward with this six-point Talent Agenda, we also put more emphasis on talent interventions to ensure the whole process is dynamic throughout the year.

Talent interventions

Aspire: 20%	Strive: 20%	Achieve: 60%
• Formal Learning • Just-in-Time Action Learning	• Coaching • Mentoring • Collaboration • Problem Solving	• On-the-Job Learning • Experiences • Career Exposure • Execution

Supporting our talent review process are structured talent interventions for identified successors, critical resources and high potentials. The talent interventions leverages on Ecobank Academy's development approach: Aspire, Strive and Achieve.

Our key interventions enabled by this blended development method, are our Executive and Leadership Development Programmes and e-Learning modules to accelerate the development of our targeted populations.

To further deepen the processes for how our managers assess, support and develop their talent, in 2020 we are launching a talent conversation guide. This simple and easy-to-use guide will ensure consistency in how each manager holds critical career conversations with his or her direct report(s). Furthermore, we are also running structured talent days across the four regions where we will assess all staff in the Group's affiliates.

Talent acquisition

One of the beneficiaries of our structured talent reviews described above has been our succession planning. We continue to strengthen our succession planning and this shows in our ability to fill key positions across the Group. For example, in the past ten months, most of the vacant positions were filled by identified internal successors.

In addition to using succession planning as our source for future appointments, we also continue to run a structured recruitment process. In 2019, we have successfully filled several senior roles based on our succession planning and structured recruitment processes.

Ecobank graduate and management development programme

Our focus on building the pipeline for our next generation of Ecobank's leaders has been aligned with the acceleration of the preparations for the successful launch of our Management Development Programme in the AWA Region, with Ghana as a pilot.

We have also made significant progress and are preparing to deploy two major Graduate and Management Development Programmes, in the UEMOA region for eight countries, and in the CESA region for 15 countries.

Having been launched over a year ago, the Graduate and Management Programme in Ecobank Nigeria has six cohorts, out of which three have graduated. Our investment in this programme is already paying off as trainees are being deployed in key functions and regions across the Bank, where they are supported to offer fresh and new perspectives.

Ecobank women's development

Understanding the strategic importance of women's development to the business and our continent, Ecobank has made the Women Development Programme an integral part of its Talent Management Framework. To drive the increase of women's representation, we continue to look for opportunities to promote more of them into senior leadership positions through our succession planning and targeted talent interventions.

Ecobank's women's agenda is in line with the African Union's principle of gender parity (50/50). In 2019, we made progress towards this goal by increasing the representation of women at Ecobank to 46% from 43%, with 30% of them in management/leadership positions.

We successfully relaunched a structured Ecobank Women Programme (EWP), which is being piloted at the Group level and will be rolled out to the rest of the organisation in 2020.

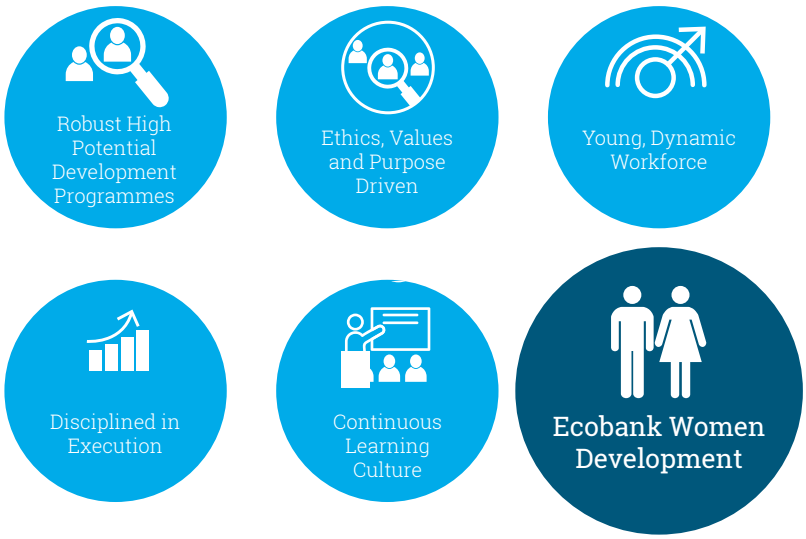
One of the EWP's initiatives launched this year is the Women's Lounge. The initiative is providing internal networking and learning opportunities for women at Ecobank; it was piloted at ETI, Ecobank Togo and Ecobank Ghana and is expected to run in all remaining affiliates in 2020. The Women's Lounge provides an opportunity to share and learn from each other, creating opportunities for mentoring between different levels of leadership. The Women's Lounge also provides an essential avenue for celebrating successes, such as a member's promotion to a leadership role. This has the knock-on effect of inspiring and challenging other members to aim higher and is in line with one of the key objectives of the EWP: contributing to increasing women's representation at the leadership level across the Bank.

Additionally, through our L&D team, we actively provide learning and development opportunities to high-performing women from across the Group. For example, this year will mark the third successive year in which we have sent participants to an annual event for women, which is co-delivered by L'Oréal and Danone, with the objective of developing their capabilities. We are also sending some of our senior female leaders to a three-day women in leadership training course, which is hosted by one of our partners, Arise.

PEOPLE REPORT

Ecobank prioritise women's development as one of its core Talent Intervention areas

Ecobank Strategic Talent Interventions



eWDP[1] Pillars

1. Provide learning and development opportunities to staff
2. Drive women's development as part of our talent agenda
3. Execute targeted initiatives to increase number of women in senior positions

[1]eWDP – Ecobank Women Development Programme

6. Performance management

With a focus driven by controls and efficiency during goal-setting, we have successfully deployed a new assessment model and a performance management scorecard for the use of all Ecobank employees around the world.

We continue to reinforce our performance management process across the Group and have reached 100% completion of goal-setting, mid-year reviews, and end of the year reviews for all our Staff. Additionally, during this period, an emphasis was put on discussions about quality between managers and employees to impact collective results.

In addition to our standard performance management cycle, the performance culture is being strengthened through weekly sessions where we go through the progress on key objectives across the Bank. As a Group, we have consistently run these sessions from the GEC level to the front line at affiliates.

2020 focus areas

Building on the four years of implementing our People Strategy, in 2020 the focus will be on the following key areas:

1. Culture and Organisational Transformation
   a. Implementing a Fit-for-Purpose organisation – focusing on the front-middle-back offices
   b. HR Transformation
   c. Introducing a values-based Behavioural Framework into Performance Management
2. Employee Efficiency
3. Institutionalisation of Interventions Supporting the Talent Agenda
4. A continued focus on Learning and Development

04

RISK MANAGEMENT

RISK MANAGEMENT

1. Risk management framework

Risk is inherent within our business activities. Accordingly, our risk management framework and governance structure are designed to achieve an acceptable balance between risk and reward.

The risk management framework consists of a comprehensive set of policies, standards, procedures and processes designed to identify, measure, monitor, mitigate and report significant risk exposures in a consistent and effective manner across the Group.

- **Risk Measurement:** The Group uses a variety of techniques to measure risk. These include expected and unexpected loss calculation, risk rating, stress testing and benchmarking.
- **Risk Mitigation:** The Group has specific measures to minimise or eliminate unacceptable risks. These include managed distribution across affiliates or other financial institutions, covenants (positive, negative and financial), insurance and collateralisation.
- **Risk Monitoring and Control:** The Group reviews risk management policies and systems regularly to reflect changes in markets, products and emerging best practices. Risk monitoring covers the central risk areas: credit risk (including counterparty risk), market risk, liquidity risk, operational risk and country risk. Risk management professionals and internal auditors monitor risk exposures and adherence to approved risk limits by means of reliable and up-to-date information systems on a daily, weekly and monthly basis.
- **Risk Reporting:** The Group allocates considerable resources to achieving continuous compliance with the approved risk limits. It has set guidelines for reporting to relevant management bodies, including the Board of Directors and the Group Executive Committee. Significant changes in the credit portfolio, non-performing loans and other risk measures are reported on a daily, weekly and monthly basis.

2. Risk governance and organisation

The Board articulates the level of risk that Ecobank is willing to accept in the normal course of business ('risk appetite') and thus sets the overall risk profile for the Group. It supervises risk management through the Risk Committee and the Audit and Compliance Committee of the Board.

The Risk Committee proposes risk policies and the overall approach to risk management and monitors the adequacy of controls, compliance with risk policies and the Group's risk profile. The Risk Committee is composed of not less than three non-executive directors. The Group Chief Risk Officer and other senior representatives from the risk management organisation attend the Risk Committee meetings.

The Audit and Compliance Committee ensures that the financial activities of the business are subject to independent review and external audit.

The Group Chief Risk Officer is Ecobank's most senior risk management officer, responsible for all risk activities, thus:

- Develops the risk management strategy, principles, framework and policies;
- Implements appropriate risk management processes, methodologies and tools;
- Advises and instructs management and business units on risk management;
- Monitors the application and effectiveness of risk management processes; and
- Co-ordinates appropriate and timely delivery of risk management information to the Group Chief Executive Officer, the Group Executive Committee ('GEC'), the Risk Committee and the Board.

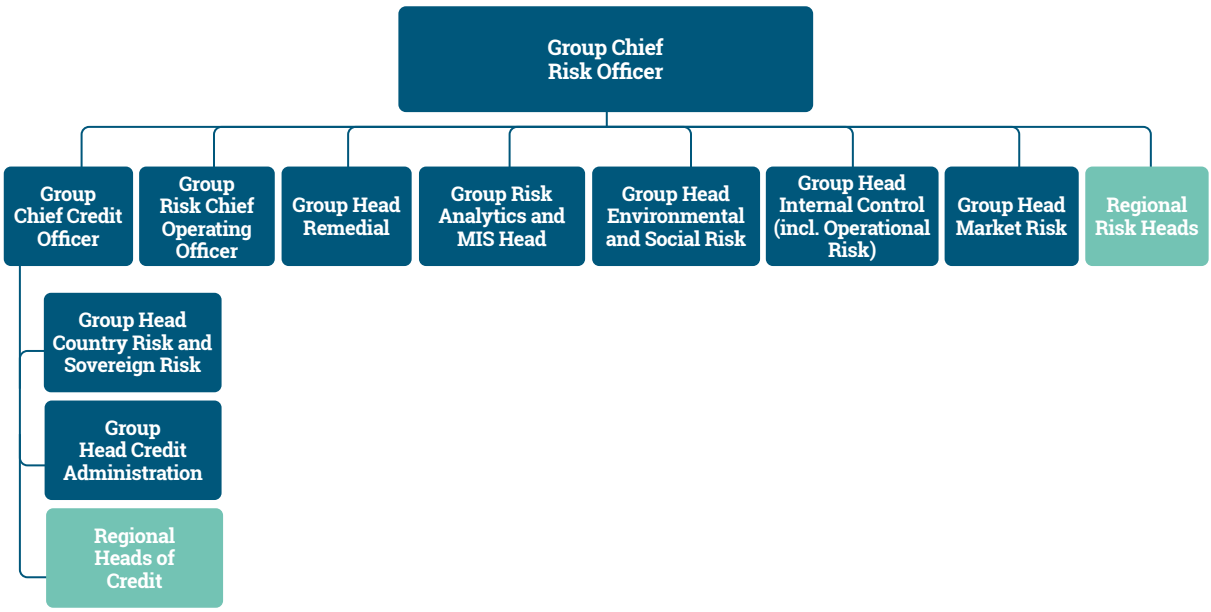
Risk Management Governance Structure

The Group Chief Risk Officer reports functionally to the Board Risk Committee and administratively to the Group Chief Executive Officer. The Group Chief Risk Officer supervises the Group Credit Risk department (comprising the Chief Credit Officer, Regional Credit Heads, the Group Credit Administration unit, the Country and Sovereign risk unit, and the Remedial Management unit), the Risk Analytics and Management Information System ('MIS') unit, the Internal Control department which includes the Operational Risk Management unit, the Market Risk Management unit, the Environmental and Sustainability unit and Regional Risk Heads.

In each subsidiary bank, the Risk Management department is completely independent from all the operating and risk-taking units. It is led by a Country Risk Manager, who reports administratively to a Country Business Head and functionally to the Regional Risk Head. Regional Risk Heads report administratively to their respective Regional Business Head and functionally to the Group Chief Risk Officer.

RISK MANAGEMENT

Organogram of Group Risk Management



3. Major risk types

The Group is exposed to the following main categories of risk:

Credit risk, the risk of loss arising from the default or the credit risk migration of a customer or counterparty. It can arise because the counterparty is unwilling to make payment and/or because their ability to do so has been impaired. Direct credit risk arises in connection with credit facilities, such as loans and advances, whilst indirect or contingent credit risk stems from contractual obligations to clients resulting from the issue of letters of credit and guarantees. Credit risk also exists when the Group and its client have mutual obligations to exchange or deliver financial instruments at a future date. The language of credit risk at Ecobank include the following:

- **Country risk**, the risk that an event in a country (precipitated by developments within or external to a country) will impair the value of Ecobank assets or will adversely affect the ability of obligors within that country to honour their obligations to Ecobank. Country risk events may include political events, policy actions that result in nationalisation, expropriation and other business regulatory risks, sovereign defaults, banking crises, currency crises and the imposition of foreign exchange and capital controls that would impede the ability to convert local currency to foreign currency and/or transfer funds cross-border, giving rise to transfer and convertibility risk.
- **Sovereign risk**, the risk that a sovereign or State-Owned Enterprise (SOE) will not have the capacity or willingness to honour its debt repayment obligations. Sovereign exposures may include statutory requirements for liquid assets in the form of liquidity placed with central banks, subscription for sovereign treasury bills and bonds, direct and contingent exposures to the sovereign and to SOEs.
- **Contagion risk**, the risk that developments in one country lead to a rating downgrade or adverse credit conditions not only for that country but also for other countries where the Group has interests.
- **Pre-settlement risk**, the risk of default before settlement, arising when a counterparty defaults before the contract matures and the Group suffers a financial loss in the process of replacing the unexecuted contract. Settlement risk becomes direct credit risk at the time of default.

Market risk, the risk of loss arising from adverse changes in market conditions during the period required to close out the Group's on- and off-balance sheet positions. The key categories of market risk are as follows:

- **Trading risk**, generally related to market making activities where the Group acts as a principal. It arises from open positions in interest rate and foreign currency positions and is generally affected by changes in the level and volatility of yields and exchange rates. It does not include discretionary positions that the Group undertakes for liquidity or capital hedging purposes.
- **Foreign exchange risk**, the risk to earnings and capital arising from fluctuations in currency exchange rates. It can arise directly through trading in foreign currencies, making loans in a currency other than the local currency of the obligor, buying foreign-issued securities or issuing foreign currency-denominated debt as a source of funds. It can also arise when assets and liabilities are denominated in different currencies. The Group is also exposed to foreign exchange risk arising from translation of carrying values and income streams from local currencies to the US dollar, Ecobank's reporting currency.
- **Interest rate risk**, the exposure of earnings and capital to adverse changes in the level of interest rates. Exposure to interest rate risk can result from a variety of factors:
  - **Repricing risk**, due to differences in the timing of instruments' repricing.
  - **Yield curve risk**, due to mismatched maturities of instruments.
  - **Basis risk**, due to differences in the reference rates used for instruments.
  - **Options risk**, due to embedded options (for example, loan prepayment provisions) which can change the economic value of assets and liabilities.

Liquidity risk, the risk that depositors' and lenders' demands outstrip the Group's ability to realise cash from its assets. Interest rate risk and liquidity risk are interconnected in management of assets and liabilities. There are two types of liquidity risk:

- **Funding liquidity risk**, the risk that funds will not be available when needed to meet our financial commitments.
- **Trading liquidity risk**, the risk that assets cannot be liquidated at reasonable market prices. This can happen when market liquidity disappears, making it difficult or costly to close or modify positions without incurring losses.

Market risk also includes **equity price risk**, the risk of loss from share price movements, and **commodity price risk**, the risk of loss from commodity price fluctuations.

Operational risk, the risk of loss resulting from inadequate or failed internal processes, people and systems or external events. It is inherent in every product and service that Ecobank provides. It occurs in a variety of ways, including internal fraud, external fraud, transaction processing errors, business interruptions and disputes with employees, clients and vendors. Operational risk includes legal risk, the risk of loss due to failure to comply with laws, ethical standards and contractual obligations, and compliance risk, the risk of loss (from sanctions, penalties, damages, or voiding of contracts) due to violation of rules and regulations in force in countries where the Group operates. A specific form of compliance risk is disclosure risk which is due to reporting of incomplete or false information, or not meeting accounting and reporting requirements of regulatory, supervisory or fiscal authorities. Compliance risk is heightened when applicable rules or regulations are ambiguous.

Operational risk events give rise to reputational risk for the Group.

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Reputational risk, the risk to earnings and capital arising from an adverse perception of the Ecobank brand amongst current and potential stakeholders, such as clients, trading counterparties, employees, suppliers, regulators, governmental bodies and investors. The perceptions of stakeholders, such as the media, Non-Governmental Organisations (NGOs), trade unions, competitors and the general public, can influence the bank's ability to maintain existing relationships, generate new business or maintain access to sources of funding.

Strategic risk, the risk that our strategy may fail, causing damage to the Group's ability to generate or retain business. Strategic risk arises when the Group launches a new product or service, or when it implements a new strategy. In making strategic decisions, the Group carefully assesses the impact of external factors and the feedback from customers, shareholders and regulators.

Environmental and social risk, where environmental risk is the risk of pollution or destruction of the natural environment (land, water, air, natural habitats, and animal and plant species) through accidental or deliberate actions, and social risk is the risk of a customer not meeting acceptable standards related to employment, working conditions and business ethics.

4. Risk management approach

4.1 Credit Risk

Credit governance and approval

In 2019, the Group Risk Management continued the implementation of our enhanced credit governance structure started in 2018. We ensured good credit quality for all facility requests within the credit appetite of the bank, as well as optimising the risk-reward in our regions and countries.

The credit risk governance structure has clearly defined responsibilities and credit approval authority levels. The Board is the highest credit approval authority in Ecobank. It sets credit policies and ensures that all officers involved in extending credit across the Group strictly adhere to these policies. Although credit approval limits are delegated to individual credit officers, no credit officer approves credits alone. All extensions of credit are approved by a minimum of three credit officers (one of whom must be from Risk Management) who have individual authority levels equal to, or greater than, the amount of credit under consideration.

Through its Risk Committee, the Board has delegated its authority to senior executives, including the Group Chief Risk Officer and the Group Chief Executive Officer, to review and approve all credits, including those in excess of the policy limit. The policy limit is defined as the maximum credit exposure to any borrower or group of related borrowers; it is currently set at 7.5% of Ecobank's consolidated shareholders' funds.

Whilst the primary responsibility for managing credit risk resides with the first line of defence, the Group Chief Risk Officer is responsible for ensuring that there are resources, expertise and controls in place for the efficient and effective management of credit risk across the Group. Ecobank's subsidiaries receive delegations of credit approval authority from their respective boards of directors in line with the general framework set up by the Group Chief Executive Officer and the Group Chief Risk Officer.

The credit approval process is fully independent of the businesses.

For credits to governments, financial institutions and corporations:

- Subsidiary banks initiate and approve credit applications (CAs) within their approved limits. Country approvals are provided by Country Credit Committees and ultimately by the respective country Board Credit Committees.
- After such approval, and depending on amounts set in the Credit Manual, some of the CAs must be sent to the relevant Industry, Product and Country Risk Specialists for their 'no objection' as appropriate.
- Where credits exceed the approval limit of the subsidiary, they are referred to relevant Credit Officers or Senior Credit Officers in line with the bank's approval authority matrix for their 'no objection'.
- On receipt of the 'no objection' and other required approvals, depending on the facility limits and nature of the transaction, the initiating subsidiary submits the request to the local board for approval for transactions that are above their Country Credit Committee approved limits.

For credits to individuals, SMEs and local corporations:

- Credit transactions are approved under the terms and conditions of credit programmes previously approved by Group Risk Management.
- Group Credit reviews credits above local limits for consistency with Group policies and procedures and provides its 'no objection'.
- On receipt of 'no objection' from Group Credit, the initiating subsidiary submits credits above local Country Credit Committee limits to the local board for approval.

Credit risk measurement

The Group estimates probable economic losses in the event of default. This represents the losses that the Group would face from the time of default until the end of the recovery process. Credit losses include all provisions taken against bad debts, write-offs, fully reserved interest earned not collected and possibly legal fees incurred in the process of enforcing the Group's claims in court.

Credit risk measurement relies on three key metrics: risk exposure at default ('Exposure at Default' or 'EAD'), the probability of default ('PD') and the percentage of loss in the event of default (also called 'loss given default' or 'LGD'). The Group proceeds by assigning risk ratings to every credit facility in the credit portfolio. The amount of credit exposure is multiplied by loss norms (which correspond to the facility risk ratings) to arrive at measures of expected loss.

Risk ratings provide an objective means to compare obligors and facilities and to measure and manage credit risk across geographies, industry sectors and other relevant risk factors. Accordingly, the level of credit authority required to approve any credit transaction is based on the risk rating of obligors, amount of total facilities requested, and tenor.

Credit decisions are based on an in-depth review of obligor creditworthiness and an ability to generate cash flows to meet operational needs and debt service obligations. The Group utilises an internal risk rating scale of 1 to 10 to rate commercial and industrial obligors, financial institutions, sovereign governments and SMEs. A rating of 1 identifies obligors of the highest quality, comparable to a AAA rating by Standard & Poor's. A rating of 10 is assigned to obligors of lowest quality or highest risk, equivalent to a D rating by Standard & Poor's. Obligors rated 1 to 6 are classified as 'normal borrowers'; those risk-rated 7 are classified as 'borrowers requiring caution', those risk-rated 8 and 9 are 'substandard borrowers', and those risk-rated 10 are 'borrowers at risk of permanent default'.

Risk ratings are assigned to both obligors and individual facilities. An obligor risk rating is defined as the risk of default on long-term unsecured debt in local currency over a 12-month period. It is assigned and approved when a credit facility is first extended and is reviewed annually and upon the occurrence of a significant adverse event. The rating is derived from an analysis of the obligor's historical and projected financial statements and such qualitative criteria as industry issues, the obligor's position in the market, the quality of the Board and management and access to financing. The obligor risk rating process is carried out through automated decision-making tools. A facility risk rating is usually equivalent to the obligor risk rating but may differ due to factors such as facility structure or collateral.

With regard to consumer lending, the Group utilises a credit programme approach, whereby credit is extended on the basis of product-specific risk parameters, using scoring systems. The products involved are secured and of a self-liquidating nature.

Group Risk Management also uses statistical models to determine the level of unexpected loss. The Risk Analytics and MIS unit uses unexpected loss measures to monitor that the Group is not exposed to excessive concentrations of credit risk on any one obligor, asset class, industry sector or geography.

As of 31 December 2019, 82% of the credit portfolio was categorised as "normal credit risk", compared to 80% as of 31 December 2018. This positive migration is largely driven by new onboarded counterparties with strong credit quality, which are mostly in the "normal risk" category.

From 31 December 2018 to 31 December 2019, the portfolio risk rating remained stable at 6-, and the average probability of default slightly increased from 9.6% to 9.7%.

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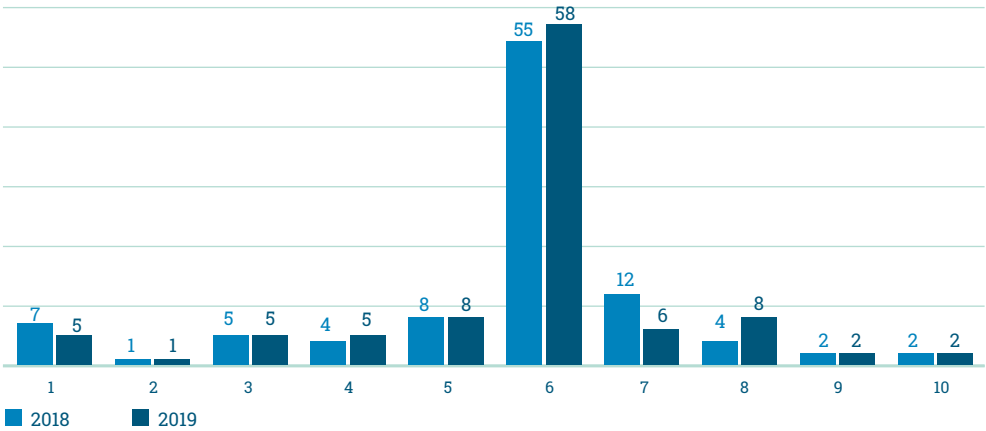
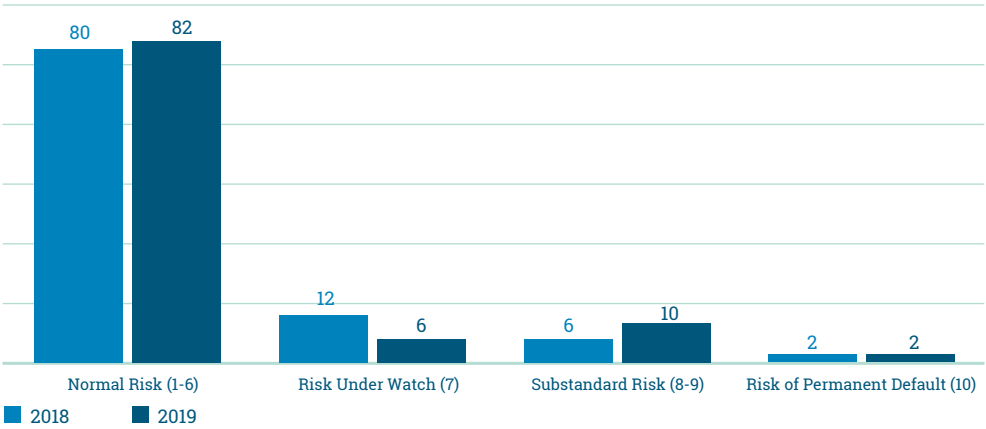
Credit Portfolio Distribution by Facility Risk Rating

Percentage of Total Portfolio



Credit Portfolio Breakdown by Risk Category

Percentage of Total Portfolio



Credit risk monitoring and control

Credit risk exposures of subsidiaries are monitored at both subsidiary and Group level. At subsidiary level, credit administration units monitor the performance of individual exposures daily, ensure regularity of credit approvals and line utilisations, authorise disbursements of credit facilities when approval conditions are met and perform periodic reviews of collateral. These units are also responsible for the preparation of internal risk management reports for country management and Group Risk Management.

Risk control units within internal control departments provide a second line of defence as they ensure that controls are in place and are effective. Remedial management units identify early warning signals of portfolio quality deterioration and monitor past due exposures with a view to maximising collections of delinquent loans and recoveries of loans previously reserved or written-off.

At the Group level, the Risk Analytics and MIS unit monitors risks taken by subsidiaries on individual obligors and economic groupings through a review of monthly reports submitted by the country risk management units of the subsidiary banks. These reports include early warning systems designed to monitor troubled exposures and credit process problems They also include detailed credit exposure data that enable the Group to monitor the risk profile in terms of obligors, industry sectors, geography, currencies and asset maturity at a country and Group level.

Credit portfolio overview

The credit portfolio, net of provisions, amounted to $23.5 billion as of 31 December, 2019; an 5.6% decrease from the $24.9 billion as recorded a year earlier. This was primarily driven by off-balance sheet exposures which decreased by $1.9 billion during the year.

The portfolio consisted of loans and advances to customers ($9.27 billion), treasury bills ($1.63 billion), debt securities ($4.85 billion), loans, advances and placements with banks and financial institutions ($1.89 billion), deposits with central banks ($2.19 billion), and off-balance sheet exposures ($3.65 billion) in the form of financial and performance guarantees, as shown in the table below.

Risk Assets ($ millions)

	2019	2018
Loans and advances to customers	9,276	9,089
Treasury bills	1,633	1,828
Debt securities (incl. government bonds)	4,858	4,568
Loans and advances to banks and financial institutions	1,892	1,718
Deposits with central banks	2,192	2,141
Sub-Total Direct Exposures	**19,851**	**19,344**
Import letters of credit	1,308	1,632
Other guarantees & undertakings	2,349	3,930
Sub-Total Contingent Exposures	**3,657**	**5,562**
Total Portfolio	**23,508**	**24,906**

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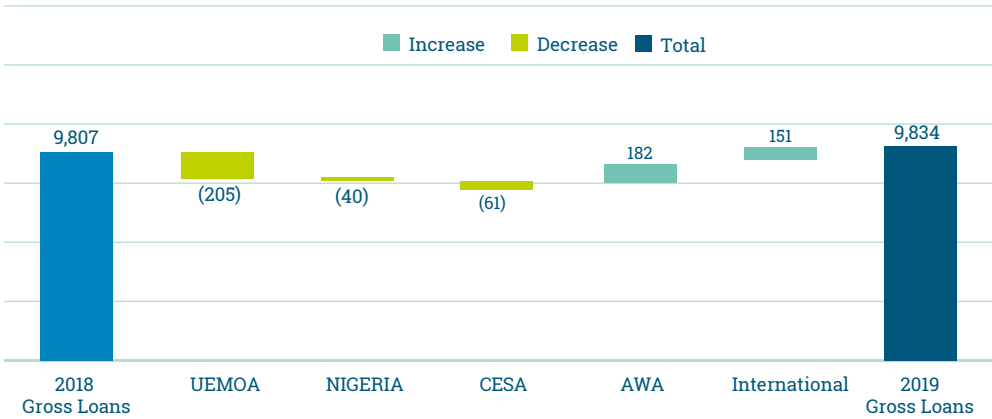
Gross loans and advances

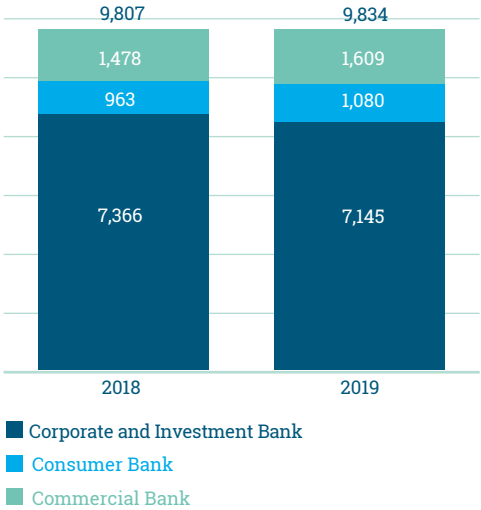
From December 2018 to December 2019, gross loans and advances to customers increased to $9.83 billion, from $9.80 billion the previous year. During 2019, gross loans increased in AWA (+$182 million), while our exposure reduced in UEMOA (-$205 million), CESA (-$61 million) and Nigeria (-$40 million).

As of 31 December 2019, the Corporate and Investment Bank segment represented 73% (December 2018: 75%) of total gross loans and advances to customers, the Consumer Bank was at 11% (December 2018: 10%) and the Commercial Bank accounted for 16% (December 2018: 15%). At the product level, loan expansion was driven by overdrafts, which represented 16% of total loans (2018: 13%).

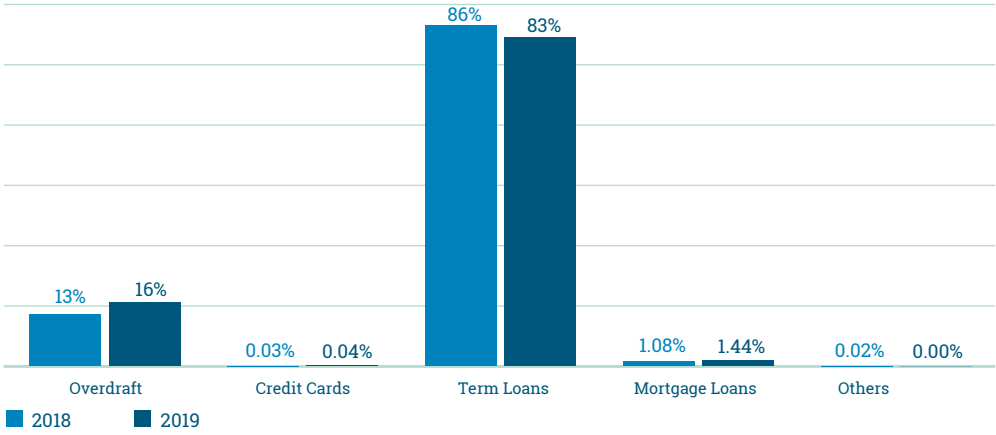
Geographical Contribution to the Increase in Loans to Customers
(US$ millions)



Gross Loans by Business Segment
($ millions)

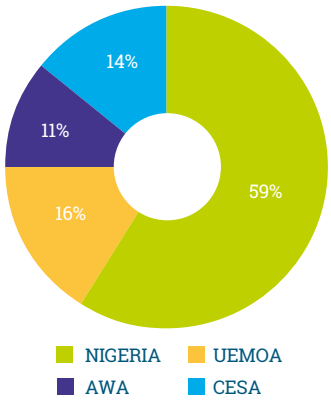


Gross Loans by Product Concentration

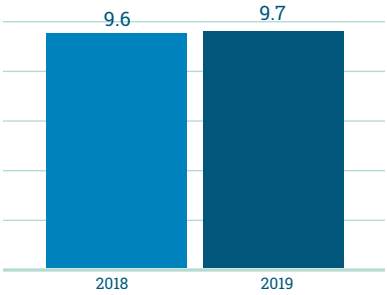


RISK MANAGEMENT

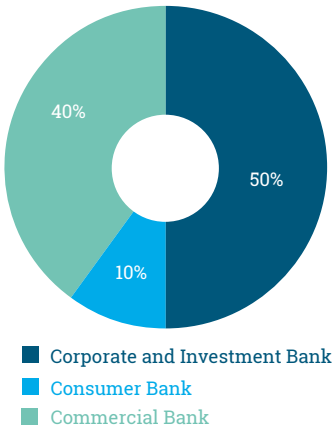
Non-Performing Loans Contribution per Cluster



Non-Performing Loan Ratio Trend (%)



Non-Performing Loans per Business Segment



Asset quality

Non-performing loans ('NPLs') increased by 1.2% from $944.5 million in December 2018 to $955.4 million in December 2019. At the regional level, Nigeria recorded the highest level of NPLs, accounting for 59% (37% in December 2018) of total NPLs, followed by UEMOA and CESA which accounted for 16% (22% in December 2018) and 14% (20% in December 2018) of total NPLs, respectively.

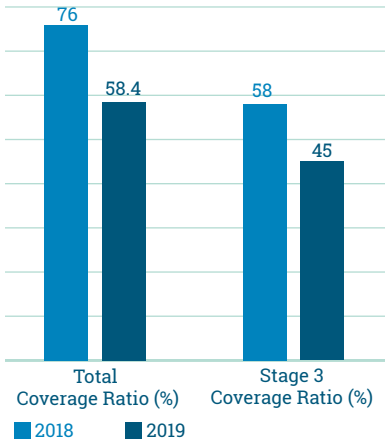
As a result of the 1.2% increase in non-performing loans, the ratio of non-performing loans to gross loans and advances ('NPL ratio') slightly increased from 9.6% as of December 2018, to 9.7% as of December 2019.

The non-performing loans book remained concentrated within Corporate and Investment Bank (50%; 51% in December 2018) and Commercial Bank (40%; 40% in December 2018).

The total NPL provisioning rate ('Total NPL coverage') deteriorated from 76% in 2018 to 58.4% in 2019, and the Stage 3 coverage ratio also decreased from 58% to 45%.

The total impairment loss on loans and advances to customers for the year amounted to $110 million, a significant decrease compared to $240 million in 2018. Defined as the ratio of impairment losses to average gross loans and advances, the cost-of-risk therefore improved from 2.4% in 2018 to 1.1% in 2019.

Non-Performing Loans Coverage



Credit concentration risk management

Risk concentration limits are in place to ensure compliance with the Group's risk appetite. These limits are regularly reviewed by the Risk Committee to consider changes in our operating environment or within our business segments. The Group has a framework for setting concentration limits.

Concentration risk is managed by addressing credit quality and portfolio diversification. With respect to credit quality, the probability of default by risk factor (for example, geography, sector or product) is the main driver for limit setting because it is the main indication of portfolio quality. With regard to portfolio diversification, concentration risk is measured by the level of statistically unexpected loss associated with each risk factor. The unexpected loss measure allows Group Risk Management to identify and cap concentration risks which may not be picked up in measures like expected loss and regulatory risk weighted assets.

Obligor concentration

A large exposure is defined as any single exposure that represents at least 10% of the total credit portfolio, or any obligor or borrower, whose total exposure across the Group represents at least 10% of the Group's capital. As of 31 December 2019, there was no exposure equal to or greater than 10% of total portfolio. However, two non-bank obligors had an individual outstanding balance in excess of 10% of the Group's capital.

The twenty largest non-bank exposures represented 130% of the Group's capital (December 2018: 126%) and 11% of the total non-bank credit exposures (December 2018: 14%). These exposures mainly emanate from the following six industry sectors: Construction, Manufacturing, Oil & Gas, Services, Wholesale & Retail Trade and Telecommunications.

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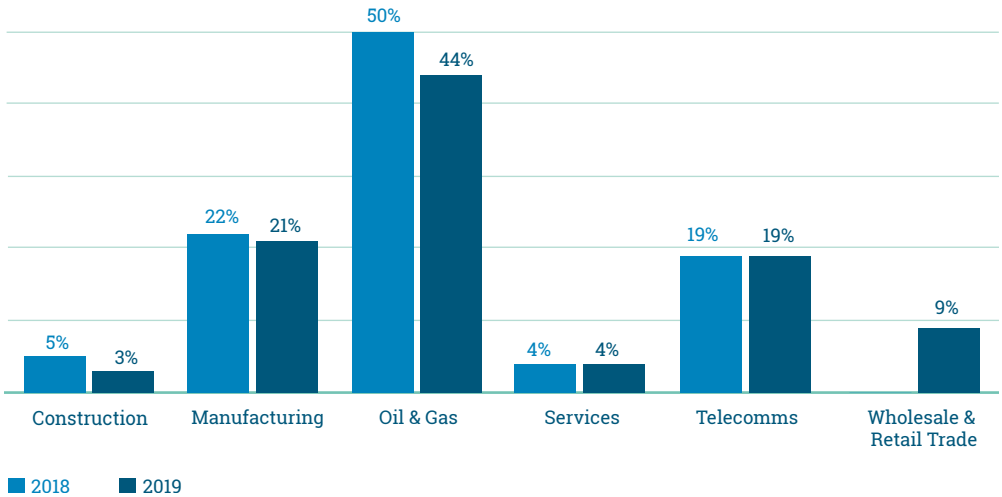
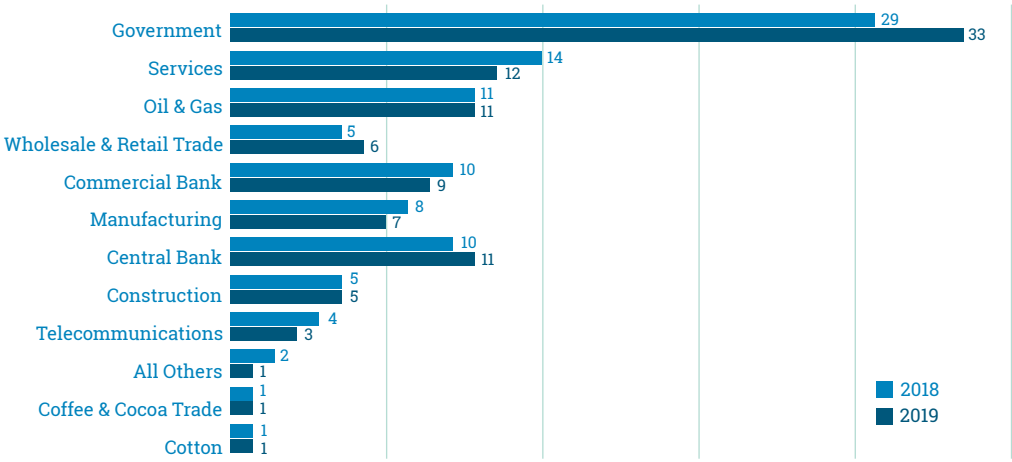
Top 20 Exposures per Industry Sector



Industry diversification

The credit portfolio was dominated by the government, services and oil and gas sectors, with an increase in the proportion of government exposure from December 2018 to December 2019. These are mainly Treasury Bills and government bonds held for liquidity management purposes. The three major sectors (government, services and oil and gas) accounted for 58% of the total credit portfolio (December 2018: 54%).

Diversification by Industry
(Percent of Total Credit Portfolio)

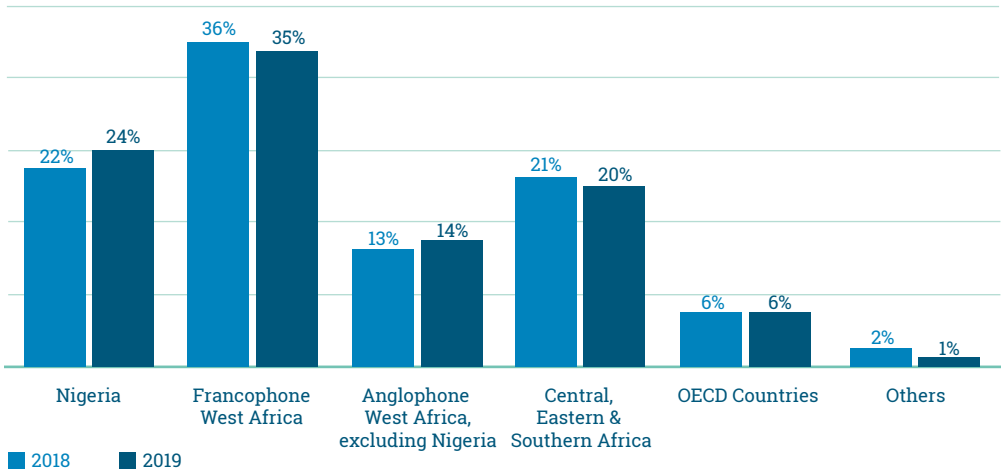


Geographic diversification

The Group has banking operations in 33 African countries and benefits substantially from the geographic diversification of its credit portfolio. As at 31 December 2019, 24% of the Group credit portfolio was granted to obligors in Nigeria (December 2018: 22%), 12% to obligors in Côte d'Ivoire (December 2018: 14%) and 10% to obligors in Ghana (December 2018: 9%). Apart from these, no other country represented more than 10% of the portfolio.

At the regional level, the breakdown of the Group credit portfolio was as follows: Nigeria (24%), Francophone West Africa (35%), Anglophone West Africa, excluding Nigeria (14%), Central, Eastern & Southern Africa (CESA) (20%) and OECD Countries (6%).

Exposures by Region of Residence



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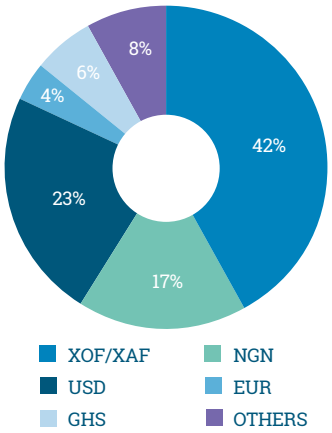
Currency breakdown

The portfolio remained predominantly denominated in three major currencies, namely the CFA Franc (42%), the US Dollar (23%) and the Nigerian Naira (17%). These three currencies accounted for 82% of the credit portfolio.

Credit Portfolio per Currency



Portfolio stress testing

Stress tests are an important means of analysing our risk profile since they give management a better understanding of how the Group is affected by macroeconomic changes and negative events. The tests support compliance with regulatory capital requirements and are an important tool in capital planning.

For credit risk, the Group uses statistical models that transform macroeconomic scenarios into loss levels. The models are used to stress the probability of default ('PD'), causing higher loan impairment charges and erosion of capital. The models also subject collateral values to stress.

4.2 Market Risk

Market risk governance

The market risk management policy framework aims to ensure that all significant market risks are identified, measured and managed in a consistent and effective manner across the Group. This assists the bank to stabilise earnings and capital under a broad range of market conditions and to ensure adequate sources of liquidity.

The Group Asset and Liability Committee (GALCO), a sub-committee of the Group Executive Committee (GEC), is responsible for the supervision and management of market risks. Its members are the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Risk Officer, the Group Executive Consumer Bank, the Group Executive Commercial Bank, the Group Executive Corporate and Investment Bank, the Group Executive Operations and Technology, the Group Treasurer, all Regional Executives, the Group Head of Compliance and the Head of Group Asset and Liability Management (ALM). The committee meets quarterly (although more frequent or ad hoc meetings may be constituted) to review the structure and pricing of Group assets and liabilities, to agree on the optimum maturity profile and mix of incremental assets and liabilities, to evaluate inherent market risks in new products and to articulate the Group's view regarding interest rates.

At the subsidiary level, the responsibility of asset and liability management lies with the Treasury Department. Specifically, the ALM desk of the Treasury Department manages the balance sheet. The results of balance sheet analysis, along with appropriate recommendations, are reviewed in monthly Asset and Liability Committee (ALCO) meetings where important decisions are made to minimise risk and maximise returns. Local ALCO membership includes the Country Managing Director, the Country Treasurer, the Country Risk Manager, the Head of Internal Audit, the Head of Finance and the Head of Legal.

Market risk organisation

Group Market Risk Management oversees market risks related to all assets, liabilities and off-balance sheet items. The Board Risk Committee sets the overall risk policies for Group market risk exposures, including risk limits. Group Internal Audit provides timely and objective assurance regarding the continuing appropriateness of, and the adequacy of compliance with, the policy framework.

The Head of Group Market Risk (HGMR) plays a coordination, aggregation, facilitation and enabling function. The HGMR drafts market risk policies, defines market risk management standards, develops and distributes tools and techniques and is responsible for training across the Group. The HGMR approves price risk limits and liquidity contingency plans for Ecobank's subsidiaries. In addition, the HGMR constantly monitors that market risk exposures are maintained at prudential levels. The HGMR also ensures that market risk management processes (including people, systems, operations, limits and controls) satisfy Group policies. The operational business units are responsible for the day-to-day management and control of market risk.

Market risk measurement

Consistent with an independent and centralised risk management function, Ecobank measures, monitors, manages and reports its exposure to market risk on a daily basis. It also conducts intra-day spot checks of market risks in individual subsidiaries by calculating risk exposures with internally developed systems that cover all of its positions. In addition, conventional risk measures and mathematical and statistical measures, such as Value at Risk (VaR), are utilised to calculate market risk.

At the subsidiary level, trading units maintain blotters for recording movements and balance sheet positions of traded instruments, which include daily monitoring of profit and loss balances of trading and non-trading positions. Internal controllers and market risk managers monitor daily trading activities to ensure that risk exposures taken are within the approved price risk limits and the overall risk tolerance levels set by the Board.

ALCOs, treasurers and market risk managers monitor market risk factors that affect the value of trading and non-trading positions, as well as income streams on non-trading portfolios, daily. They also track liquidity indicators to ensure that Ecobank's subsidiaries always meet their financial obligations.

Banking book risk management

Ecobank's traditional banking loan and deposit products are non-trading positions and are generally reported at amortised cost. However, given that the Group has banking operations in 33 African countries and exposure to over 20 currencies, the economic values of these positions may vary as a result of changes in market conditions, primarily fluctuations in interest and foreign exchange rates. The risk of adverse changes in the economic value of our non-trading positions is managed through the bank's Asset and Liability Management activities.

The Group currently uses repricing maturity gap analysis to measure exposure to interest rate risk in its non-trading book. Through this analysis, subsidiary banks compare the values of interest rate sensitive assets and liabilities that mature or reprice at various time periods in the future. In performing this analysis, the Group may make assumptions about the behaviour of assets and liabilities that do not have specific contractual maturity or repricing dates.

An interest rate sensitive gap is positive, or a gap profile is said to be asset sensitive, when the amount of interest rate sensitive assets exceeds that of interest rate sensitive liabilities maturing or repricing within a specified time period. It is negative (liability sensitive) when the amount of interest rate sensitive liabilities exceeds that of interest rate sensitive assets maturing or repricing within a specific period.

In general, an asset sensitive institution may expect net interest income to increase with rising market interest rates and decline with falling market interest rates. Conversely, a liability sensitive institution can expect net interest income to increase when market interest rates are falling and to decline when market interest rates are increasing.

RISK MANAGEMENT

Trading book risk management

The Group uses a number of tools to manage trading risk, including:

- Risk limits, set in terms of the notional size of net open positions by currency and subsidiary
- Management Action Triggers
- Stop Loss Limits
- Value at Risk.

The Group measures and manages price risks in its foreign exchange and fixed income trading portfolios based on Value at Risk ('VaR') calculations and stress testing. VaR represents the potential loss in the market value of a position or portfolio at a given confidence interval level and over a pre-defined time horizon and is used for risk monitoring and economic capital assessment.

The following table shows basic statistics of the 1-day VaR for the foreign exchange and fixed income trading positions in 2019. The average VaR increased from $2.27 million in 2018, to $2.40 as of 2019, largely driven by an increase in yield volatility and an increase in average foreign exchange positions during the period under review.

2019 Value at Risk
($ Millions)

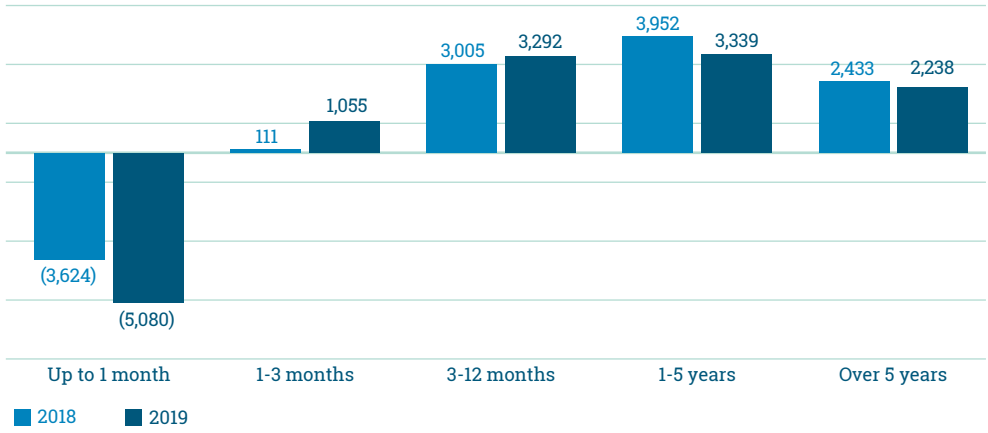
Risk category	Average VaR	Minimum VaR	Maximum VaR
Interest rate risk	1.53	1.25	1.65
Foreign exchange risk	0.87	0.56	0.97
Total VaR	**2.40**	**1.81**	**2.62**

Interest rate risk

The repricing profile of the Group as of 31 December 2019, shows that the group's balance sheet is liability sensitive on the up to 1-month bucket and asset sensitive on the rest of the tenors. Consequently, under rising/(falling) interest rate environments, the expected negative/(positive) impact on net interest income at the negative gap exposure in the up to 1-month bucket due to its size more than offsets the positive/(negative) impact on net interest income accruing from the longer buckets which are asset sensitive.

Specifically, based on the repricing profile as of 31 December 2019, it is estimated that a 200 basis points decrease/(increase) in rates across the maturity buckets is expected to increase/(decrease) one-year earnings by approximately $7.3 million ($11 million as of December 2018).

Interest Rate Repricing Profile
($ Million)



RISK MANAGEMENT

To estimate the impact of varying interest rates on the economic value of Ecobank's total equity, duration-based weighting factors (based on an assumption of 200 basis points across the time frame) recommended by the Bank for International Settlements (BIS), were applied to exposures in different maturity buckets and the results were expressed as a percentage of the Group capital. The results for the position as of 31 December 2019 are shown in the table below.

Interest Rate Risk Analysis
($ Million)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Gap	-5,080	1,055	3,292	3,339	2,238	–
Weighting Factor (%)	0.08	0.32	1.08	5.28	17.94	–
Adjusted Gap	-4	3	35	176	402	612
Interest Rate Risk Ratio (%)	-0.19	0.16	1.67	8.32	18.97	28.93

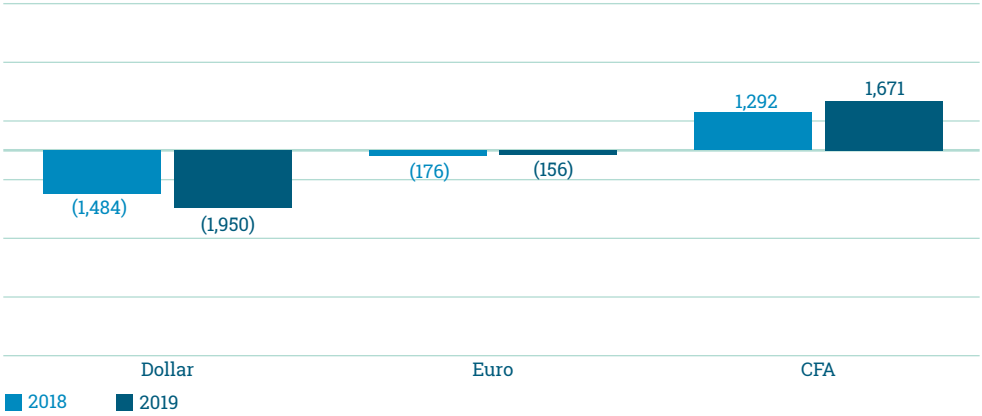
The aggregate interest rate risk ratio increased by 200 basis points to 29%, up from 27% as of the end of the prior year. Thus, a 200 basis points increase in interest rates, is expected to reduce economic value by 29% (27% in 2018). Conversely, a 200-basis points reduction in rates is anticipated to positively impact the economic value of the Group equity by the same magnitude.

Foreign exchange risk

Ecobank is exposed to foreign exchange rate fluctuations in 20 currencies. The Group continues to have significant exposure to the Nigerian naira, the US Dollar and the CFA Franc, accounting for 17%, 23% and 42% of the Group's credit portfolio respectively, at the end of 2019. It is important to note that the CFA Franc is a common currency for 14 out of the 40 countries in which the Group operates, and it is pegged to the Euro under financial agreements between the French Treasury and countries in the Francophone West Africa and Central Africa regions.

As of 31 December 2019, the Group had a net on-balance sheet short open position in EUR of $156 million (net short position of $176 million in December 2018), a net short open position in USD of $1,950 million (net short position of $1,484 million in 2018) and a net long open position in CFA of $1,671 million ($1,292 million long position in December 2018) as shown in the graph below.

Net Foreign Exchange Position
($ Million)



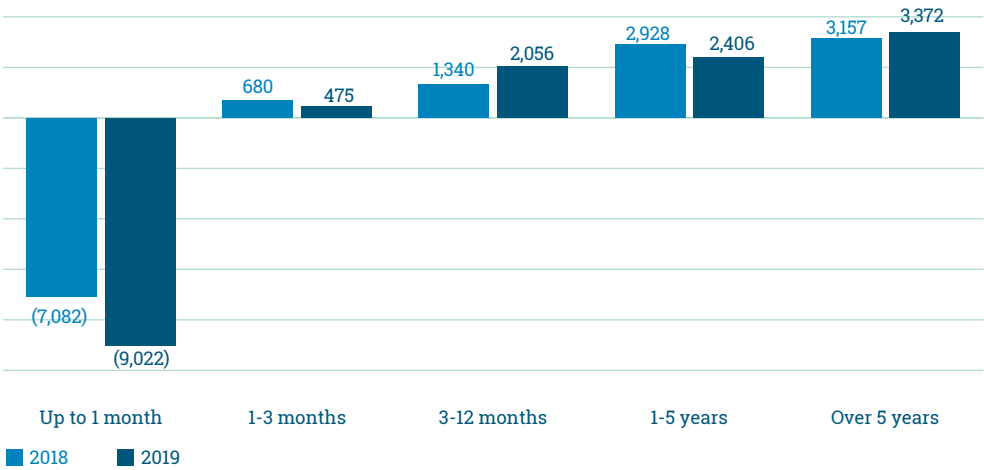
RISK MANAGEMENT

Liquidity risk

Liquidity risk is currently managed using a balance sheet approach that estimates all sources and uses of liquidity, including loans, investments, deposits and borrowings, as well as contingent off-balance sheet exposures. Subsidiary treasurers are generally responsible for formulating their liquidity and contingency planning strategies and identifying, monitoring and reporting on all liquidity risks. The main tools used for liquidity risk measurement are the contractual and behavioural maturity gaps, ratio analysis and stress testing.

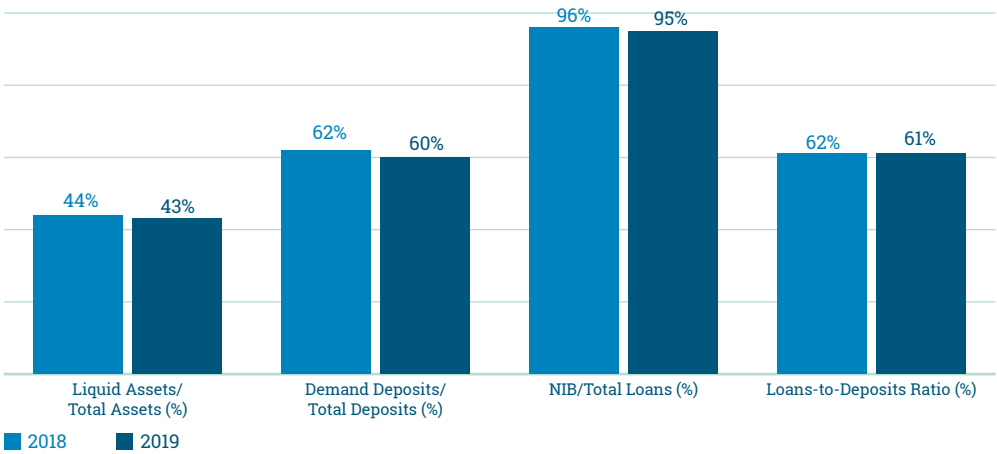
As of December 31 2019, the Group was exposed to liquidity risk for maturities of up to one month as shown in the graph below. This was due mainly to the overnight contractual maturity of current and savings deposits which accounted for over 60% of total deposits and are included in this maturity bucket. However, the risk is mitigated by the stable nature of these deposits from a behavioural perspective and the Group's ability to pledge its robust investment portfolio for cash at central banks.

Contractual Liquidity Maturity Gap
($ Million)



The Group liquidity position remained largely stable during the period. The Loans-to-Deposits ratio (LDR) improved from 62% to 61%, while the Liquidity Ratio (Liquid Assets/Total Assets) slightly declined from 44% to 43% between December 2018 and December 2019. The ratio of Demand Deposits/Total Deposits declined from 62% as of December 2018, to 60% as of December 2019 and the ratio of Non-interest-bearing deposits (NIB) decreased from 96% to 95% over the period.

Key Liquidity Indicators



The Group also conducts periodic stress tests to measure its immediate liquidity risk and to ensure that it has enough time to respond to potential crises. The stress test covers a time horizon of up to thirty days and estimates liquidity risk under various scenarios, including a name specific scenario and a general market crisis with different levels of severity.

The analyses assume that the Group does not reduce its lending activities. This means that existing lending activities are maintained and require funding. Most of the Group's unencumbered Treasury bill and bond holdings can be used as collateral for loan facilities with central banks and, thus, are considered as very liquid. Scenario specific haircuts are applied on deposit outflows, loan reimbursement and the Treasury bill and bond portfolio. Potential liquidity outflows from unutilised, but irrevocable, loan commitments are also factored in.

The degree of possible refinancing of funding sources varies depending on the scenario in question as well as on the specific funding source. To analyse the stability of funding, the Group breaks down deposits by business unit, currency, core/non-core status, maturity, geography and Ecobank's position in each market.

The Group monitors the diversification of funding sources by product, currency, maturity and counterparty to ensure that its funding base provides the best possible protection if the markets come under pressure.

The Group Liquidity Coverage Ratio (LCR) remained above 100% as of 31 December 2019.

RISK MANAGEMENT

4.3 Operational risk and internal control

Group Internal Control and Operational Risk Management continue to proactively work with the businesses and functional units at the Group and Subsidiary levels to embed a strong operational risk management and control culture across the Group.

Performance overview

In 2019 the Group Operational Risk/Internal Control function embarked on a series of activities to drive the enhancement and strengthening of the organisation's overall control environment.

Key among these was the review of the approved 2017 Group Operational Risk Policy and other significant procedures governing the operational risk management framework. The revised policy was duly approved by the Group Executive Committee and the ETI Board of Directors. Review of the Group Operational Risk Policy was carried out to align the policy with: current organisational changes, the evolving business and regulatory environment, revised governance roles and responsibilities, embedment of the Risk Control Self-Assessment (RCSA) framework within the Group and alignment of the policy with industry operational risk practices.

The revised Group Operational Risk Policy also focuses on the following:

- Reinforcement and embedment of the Risk and Control culture across the Group.
- Driving stronger ownership and accountability at both business and functional levels across the organisation.
- Ownership of risk identification, assessment, controlling, monitoring and remediation of control issues by Business and Functional units.
- Residual Risk Monitoring within the Operational Risk Framework – Key Risk Indicators (KRIs).
- Timely Operational Risk event escalation, as well as Causal/ Root Cause analysis.

Other key activities embarked on by the team in 2019 included but are not limited to the following:

- Successful disaster recovery testing of the Group's Data Centres in both Lagos and Accra.
- Leveraging on the Group's three lines of defence framework to drive and emphasise individual responsibility and accountability to risk identification, assessment and mitigation.
- Fit-to-business control monitoring activities through analytics.
- Continuous enhancement of database activities monitoring for timely identification and escalation of fraudulent, illegal or other undesirable behaviours.
- Centralisation and automation of controls, for timely detection of risks, control lapses and remediation.
- Continuous partnership with business and support functions for proactive risk identification and mitigation as well as recovery activities.
- Cost-effective management of Operational Risks within targeted levels of the Group's risk appetite.
- Proactive lessons learnt and backtesting of significant operational risk events across the Group.
- Implementation of FCR as a second line defence to provide continuous assurance to management that the credit culture and environment is effective, reliable and efficient.

Operational risk governance

Group Operational Risk Management (GORM) is supported by dedicated Operational Risk and Internal Control Managers in all affiliates. Operational Risk Managers across the Group drive and embed the GORM Framework as well as ensure compliance by the first and second lines of defence.

The Group's Board of Directors and Chief Executive Officer play critical operational risk oversight roles through the Board Audit and Compliance Committee. The Board Audit and Compliance Committee has increased its focus on operational risk related events and ensures proactive implementation of preventive and mitigating controls. The Group Chief Risk Officer has management oversight of the Group Operational Risk/Internal Control Function.

The Group's senior management implements and disseminates the Operational Risk Management Policy and the expected standards of conduct to the various levels of the organisation. All business, control and support functions are responsible for risk identification, control assessment, day-to-day management and escalation to senior management.

The Ecobank lines of defence

Group Operational Risk Management/Internal Control, proactively engage all business and functional units across the Group to drive a strong Operational Risk Management culture and framework throughout the Group.

Across all the affiliates of the Group, the three lines of defence framework is employed to drive ownership, timely and proactive risk identification, management and mitigation of actual and potential risks across the organisation.

1st Line of Defence: Business and functional units/departments	Each Business Unit owns its risks and has the responsibility and accountability for directly assessing, controlling and mitigating their risks.
2nd Line of Defence: Control Functions (Risk Management, Operational Risk/Internal Control, Compliance, Finance, Legal etc)	The Control Functions monitor and facilitate the implementation of effective risk management practices, and assist risk owners in reporting adequate risk related information up and down the organisation with accountability for directly assessing, controlling and mitigating their risks.
3rd Line of Defence: Internal Audit	Internal Audit provides independent assessment and evaluation of the control environment, assurance to the Board and senior management on effectiveness of the first and second lines of defence, and the effectiveness of how the organisation assesses and manages its risk.

RISK MANAGEMENT

In addition to the three lines of defence framework implemented across affiliates, the Ecobank Group continues to devote serious and sustained efforts to align activities of affiliates and subsidiaries with the governance models and exigences of the varied regulatory bodies that governs the activities.

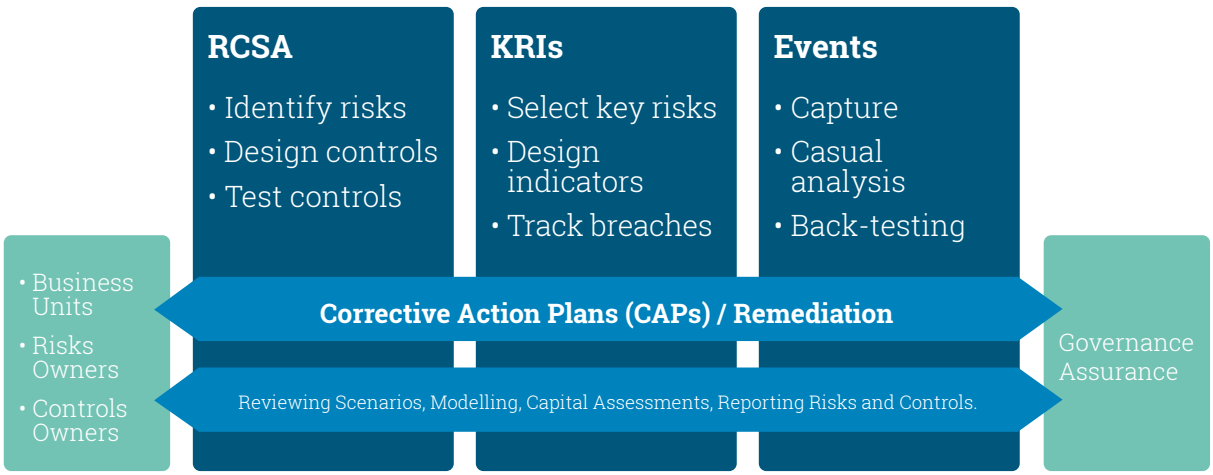
Operational risk reporting

Risk reporting across the organisation moves from affiliate level to Group level and then to the Group Board level where the most material issues are reported. This is to ensure that all levels of management have adequate oversight and information over control breaches and lapses within the organisation. Reporting is channelled through the Risk and Control governance committees at Departmental, Affiliate, Regional and Group level to increase Executive, Regional and local management oversight of Operational Risks.

Group Operational Risk Management Framework (GORMF)

The Group Operational Risk Management Framework is based on Risk and Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), Loss Events Management and Remediation. The GORMF continues to evolve to align with Basel and industry standards and other regulative requirements.

Operational Risk Management Framework



Risk and Control Self-Assessment

The Risk and Control Self-Assessment (RCSA) programme as a core component of the Group's Operational Risk Management Framework, has maintained its focus on the enhancement of control performance across all entities of the organisation.

In 2019, the Group's RCSA programme facilitated a comprehensive and consistent identification of risks (inherent and emerging risks), control gaps and weaknesses across Business and Functional units across the Group. It also provided an avenue for monitoring identified risks and implementation of remedial actions for any identified lapses.

A Group-wide periodic Risk Assessment programme was also launched in 2019, following gains made in the deployment of the RCSA Quality Assurance process in 2018. This periodic Risk Assessment programme was launched as part of a series of measures to further embed the RCSA process across the Group. The programme allows for periodic updates of the organisation's key risks through the continuous assessment of changes in business objectives, processes, products, systems and regulatory environment to ensure timely identification and proper management of new and emerging risks.

Key to the launch of this periodic risk assessment programme, is that it ensures location specific risks that may arise as a result of the diverse activities and geographical footprint of the Group are adequately covered on a continuous basis.

Issue monitoring and remediation

- Group Operational Risk/Internal Control continues to work with other departments to ensure that control weaknesses identified from sources such as RCSA Control Testing, internal and external audit reviews, regulatory assessments, information security reviews, peer assessments, internal control and compliance are centralised and appropriately monitored from inception to remediation.
- The Group's electronic corrective action system serves as a central repository and platform to track and manage control issues. The system provides transparency on meaningful metrics, improved Group Management visibility on control breaches and Corrective Action Plans and Issue Management Statistics across the Group.
- The Group continues to leverage on the Combined Assurance activities of the control functions (Group Internal Control, Operational Risk Management, Internal Audit and Management Services, which includes corporate security and investigation), Risk Management, Compliance, Information Security and Finance to integrate and align assurance processes such as the assessment of the Group's overall risk profile, review of key control issues, and the monitoring of progress of remediation of key issues across the Group.

RISK MANAGEMENT

Operational loss events

In line with industry practices and regulatory requirements, the Group's operational losses are categorised under seven key event types: internal fraud, external fraud, employment practices and workplace safety, damage to physical assets, business disruption and systems failures, execution, delivery and process management and clients, products and business practice.

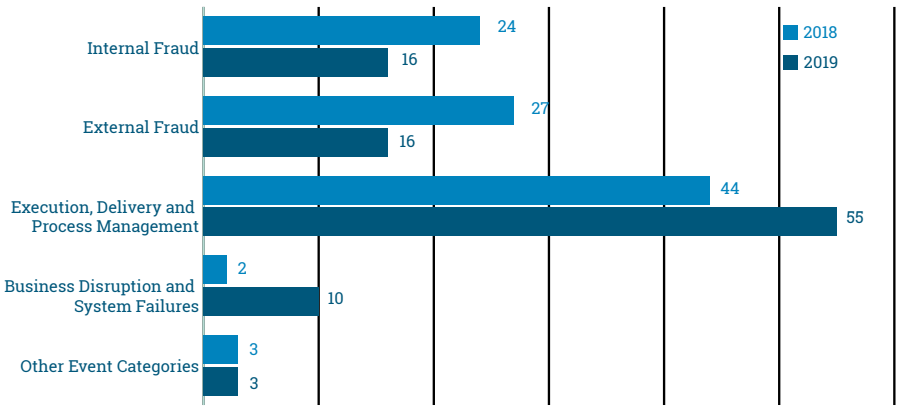
The Group recorded a total net Operational Risk loss of $15.8 million in 2019. This was mainly driven by:

- Execution, Delivery and Process Management losses, specifically regulatory fines and penalties of $7.1 million in the CESA and UEMOA regions.
- Historical losses from 2008 to 2018 totalling approximately $6.8 million detected or reported in 2019.

Internal fraud events totalled $2.5 million, representing 16% of total net loss for the year; external fraud events totalled $2.5 million, representing 16% of total net loss for 2019. Execution, delivery and process management events totalled $8.8 million, representing 55% of the total net loss for the period and Business Disruption and systems failure losses totalled $1.6 million or 10%. Other events losses categories totalled $0.5 million, or 3% of total losses.

Net Operational Losses

Percentage of total



Regulatory fines: CESA Region

Country	Type of penalty	Amount ($ '000)
Congo	Regulatory penalty	2,424
Central Africa Republic	Regulatory penalty	404
Equatorial Guinea	Regulatory penalty	390
Congo	Tax penalty	350
Democratic Republic of Congo (DRC)	Tax penalty	326
Democratic Republic of Congo (DRC)	Regulatory penalty	249
Democratic Republic of Congo (DRC)	Regulatory penalty	228
Cameroon	Regulatory penalty	119
Democratic Republic of Congo (DRC)	Tax penalty	76
Chad	Regulatory penalty	49
Democratic Republic of Congo (DRC)	Regulatory penalty	48
Equatorial Guinea	Regulatory penalty	46
		4,709

Regulatory fines: UEMOA Region

Country	Type of penalty	Amount ($ '000)
Senegal	Tax penalty	1,631
Cote d'Ivoire	Regulatory penalty	60
Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo	Regulatory penalty	479
		2,170

Note: There were no fines or penalties incurred by the parent company, ETI in 2019

The Group Internal Control/Operational Risk Management function continues to implement a series of activities such as Success Transfers, Insurance/Recoveries, Combined Assurance activities with the other control functions and enhanced Operational Risk Loss Reporting and Analysis aimed at driving and sustaining reductions in operational loss across the Group.

Business Continuity Management (BCM)

Ecobank's BCM Programme is based on international BCM standards and principles. It outlines core business and function procedures for the recovery or relocation of operations in response to various disruptions. These procedures provide information for key Ecobank personnel to:

- Ensure staff safety and protect Ecobank property;
- Recover and resume operations to ensure business continuity;
- Carry out situation analysis and instigate appropriate action;
- Provide client access to critical applications;
- Establish communications with our employees, clients and regulators; and
- Safeguard Ecobank's records and intellectual property.

Subsidiaries and business units are guided to develop, maintain and test comprehensive business continuity plans (BCPs) regularly. The BCPs are designed to ensure provision of critical business processes and applications within predefined recovery time frames.

The BCM Programme has assigned roles and responsibilities, which are detailed in corporate policy and standards. This results in a unified approach throughout Ecobank and effective business continuity capabilities. Business continuity specialists manage the BCM Programme at both local and Group levels.

Group BCM provides expertise and guidance to all Ecobank affiliates in developing, implementing, testing and maintaining effective BCPs and recovery procedures.

Compliance and regulatory risk

As a result of its pan-African footprint, Ecobank has to deal with significant regulatory requirements in each country in which it operates. These regulatory demands could negatively impact its operations, especially in the face of an anaemic world economy and an unrelentingly competitive business environment. Ecobank continues to be impacted by a significant number of new regulatory requirements from multiple sources. Therefore, management continues to provide attention and resources to ensure that regulatory reforms and their related requirements are embedded in our policies, processes, products and operations.

Ecobank has implemented robust processes to ensure that all business units comply with all relevant laws and regulations, with the support of its Compliance department, which advises business and support functions on regulatory compliance across the footprint. The Group has also designed a compliance programme to ensure that its activities are constantly aligned with the regulatory requirements of all the countries in which it is present. Our primary duties are to ensure that the businesses comply with local regulations, that identified risks are mitigated with appropriate measures and that the Group's risk appetite is adhered to.

Know-Your-Customer (KYC) and transaction monitoring

The quality of information collected from our customers is critical to improving customer service and to designing appropriate products and services. Our policies therefore require the maintenance of updated customer information within our files and systeMs

The Compliance department ensures that our network is secured and protected against money laundering, corruption or terrorism financing (AML/ CFT). Ecobank monitors customers' transactions to identify suspicious transactions with an automated system. In addition, Ecobank closely collaborates with local law enforcement authorities and financial intelligence units (FIUs), who are leading the fight against money laundering and terrorism.

RISK MANAGEMENT

People risk

People risk is subcategorised into intentional or dishonest acts (fraud, unauthorised policy and procedure breaches, collusion and sabotage) and unintentional causes (mistakes or errors due to a lack of awareness of policies and procedures), both of which can lead to losses. The Group maintains zero tolerance for all dishonest acts and imposes a Code of Ethics on all staff. Management has implemented a number of control measures, including more on-site reviews, heightened control awareness training, employee screening and disciplining staff involved in dishonest behaviour. People risk is further managed through the hiring process.

Management maintains a suitable balance in sales and processing staff ratios. Where services are outsourced, subsidiaries have been guided to assign less sensitive roles to such support staff. Employee screening has been extended to cover non-permanent staffing arrangements.

Reputational risk

In line with the overall determination of Ecobank to command social trust and to be deemed as a bank that stands firm on moral uprightness, transparency, integrity and credibility, the Group has set-up the Board Social Ethics and Reputation (SER) Committee to oversee and review the positioning of the Ecobank brand. In doing this, the committee is working with various stakeholders within the Bank in ensuring that there is a clear strategy being delivered which increases the value of the brand and the Group's standing, reputation and legitimacy in the eyes of all stakeholders, through a periodic customer brand affinity survey.

Legal risk

The Ecobank Group is involved in various types of litigations in the normal course of its business. In addition to cases instituted by members of the Group, the Group is also defending a number of non-recovery litigation cases from the various jurisdictions in which it operates.

4.4 Environmental and social (E&S) risk

E&S oversight

Under the overall management and leadership of the Group Chief Risk Officer, the Environment and Sustainability (E&S) Unit is responsible for managing the Bank's efforts towards the attainment of environmental sustainability and socially acceptable tenets of the United Nations Sustainable Development Goals (SDGs). The E&S unit has a direct responsibility for the implementation of Ecobank's Environmental and Social Risk policy. In so doing, the unit works to ensure that all businesses of the Bank are carried out in environmentally friendly and socially acceptable manners, and at the same time, works with the business segments in ensuring that borrowing clients are conducting their businesses in a manner that enhances sustainability stewardship. In this regard, the unit is reviewing and managing the Bank's business and operations for potential environmental and social risks and impacts, particularly for transactions in the environmental and socially sensitive sectors, such as oil and gas, mining, heavy construction, agriculture and agro-forestry, as well as manufacturing.

In carrying out its objectives, E&S management in Ecobank comprises of a three-prong approach. Starting with the relationship managers in the businesses, who are required to take a proactive role in driving E&S risk procedures by screening and classifying eligible transactions for E&S risk categorisation. The second layer is the Country Risk team, which has an oversight role for ensuring adherence to the Ecobank E&S policy procedures for transactions rated as Low, Medium B and Medium A categories on Ecobank E&S risk classification. At the third layer is the Group E&S unit, with overarching responsibility to ensure that the E&S risk procedures are duly performed for all eligible transactions, irrespective of the classification category. The Group E&S Manager works with the Country Risk team in ensuring that satisfactory evidences of the clients' E&S practices is obtained and properly documented for reviews.

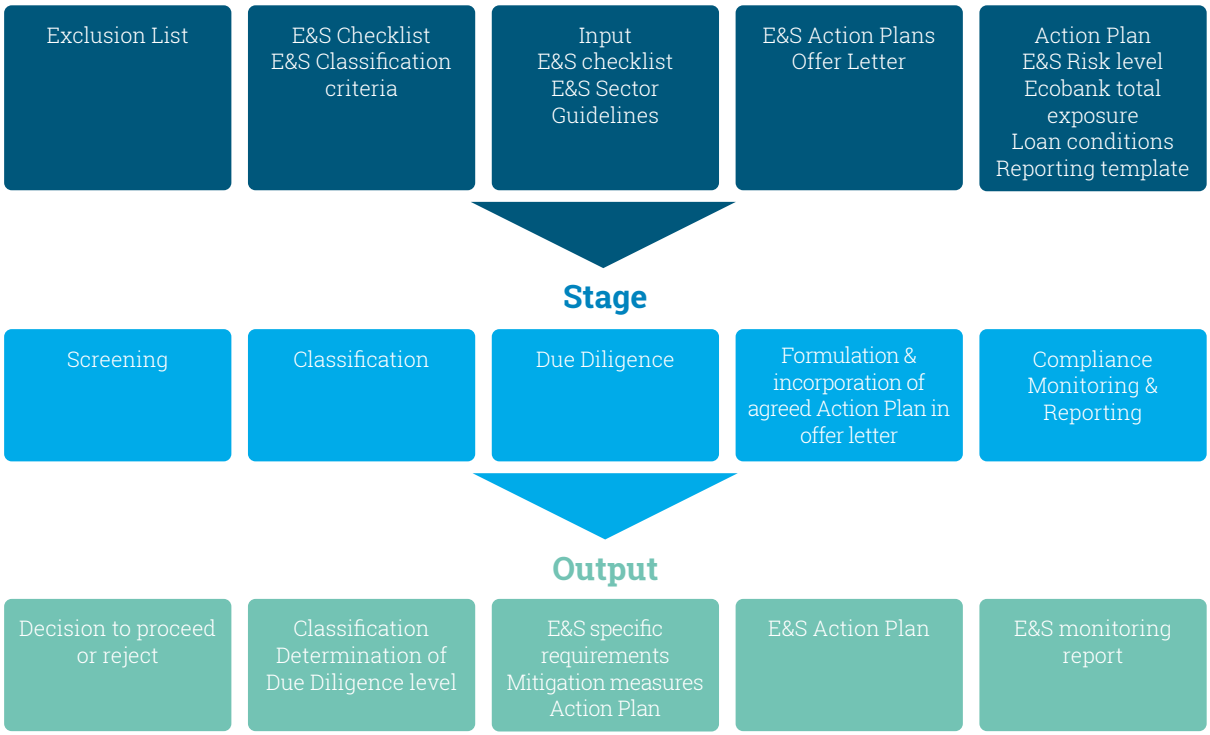
Environmental and Social Management System

Key procedures in the Group's Environmental and Social Management System are:

- Screening transactions against Exclusion List activities;
- Reviewing transactions for E&S risks in accordance with E&S sector guidelines;
- Verifying transactions for potential E&S risk identification;
- Classifying transactions for E&S risk into Low, Medium B, Medium A and High;
- For E&S low risk transactions, the Relationship Officer (RO) will sign off the Environmental and Social Due Diligence (ESDD) forms to be verified by the Country Risk Manager (CRM); and
- For all Medium B, Medium A & High-risk transactions, detailed ESDD is required (RO and CRMs will sign-off all Medium risk rated transactions to be verified by the Group Manager for E&S).

As indicated in Figure 1 below and in line with the Ecobank E&S Policy, the bank screens, classifies, assesses, formulates and monitors transactions in sectors with significant E&S risks. Our goal is to maintain E&S risk levels within acceptable internal and external limits. E&S conditions and action plans are captured as covenants in credit applications and periodic monitoring is carried out as indicated in the facility agreement.

ESMS Procedures
Figure 1



RISK MANAGEMENT

The sequence of ESRM procedures in Ecobank was developed on the basis of the Bank's engagement with the IFC Performance Standards as well as its association with other financial institutions on their interpretation of environmental and social management as related to the credit review process. Furthermore, the Group puts together all the membership and obligatory E&S related reports by its lenders, such as IFC and the ESG frameworks to which it has subscribed, including the Equator Principles and United Nations Global Compact.

It is worth noting that Ecobank's environmental sustainability and social responsibility practices continued to complement its businesses, as a unique value addition proposition to clients, particularly in the FI/IO unit. The ESRM process has been reviewed by external parties including Arise's investment in July 2019 and the Ecobank shareholders deemed the process satisfactory. Similarly, IFC conducted a review of ESRM in Ecobank Ghana in February and found the process satisfactory. In March, FMO carried out an ESRM review of Ecobank Nigeria and the outcome was satisfactory as well.

E&S portfolio review

As of 31 December 2019, Group E&S management handled a total of 972 transactions in sectors with significant E&S risks such as the extractive industry, mid and downstream oil and gas, heavy infrastructure construction, manufacturing, power generation/transmission/distribution and commercial real estate. The combined exposures to transactions in the severe (Medium B) and more severe (Medium A) E&S categories stood at 534. Furthermore, a total of 429 screened transactions in 2019, were in the Low E&S risk category. The Low risk category signifies that the qualifying transactions pose less severe risk with negligible impact on the aesthetic quality of Environmental and Social standards. Figure 2 below presents an illustration of E&S eligible transactions in various categories as of December 2019:

E&S Transactions by Risk Category
Figure 2

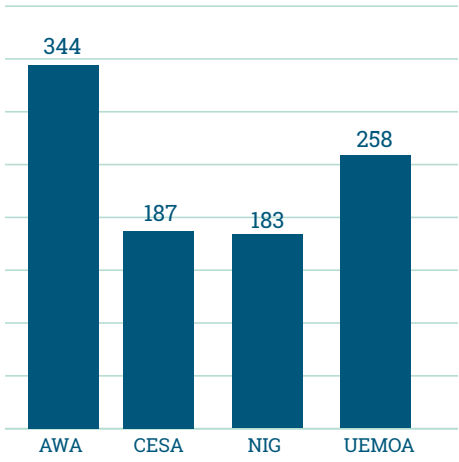
E&S Risk categorisation	No of Transactions
High Risk	9
Medium A Risk	219
Medium B Risk	315
Low Risk	429

Analysis of E&S risk eligible transactions

As of December 2019, a total of 972 transactions in the E&S sensitive sectors were reported and managed for E&S risks and impacts at the Group level. The AWA region, as presented in Figure 3 below, had the largest number of transactions managed for E&S (344), whilst Nigeria region had the least number of transactions (183). A further analysis of the transactions according to the severity of E&S risks and impacts revealed that 534 qualifying transactions, which corresponded to 54.9%, are in the combined Medium B and A categories in Ecobank's E&S risk classification.

The large concentration of E&S eligible transactions in the AWA region reflects a positive correlation between the volume and market viability. It reinforces the market size of affiliates in the region, and the scope, volume and values of the qualifying transactions. In essence, the concentration also connotes the need for enhanced monitoring of the qualifying transactions to encourage compliance with the E&S standards in the region that will ultimately help shape practices to reduce the stark gaps in E&S outcomes observed during the portfolio review visits. Compliance is among the most important conditions of ESMS and a critically significant aspect of the implementation process, which as a Bank we need to improve.

Transactions managed for E&S risk in 2019 by Ecobank Geographic Region
Figure 3



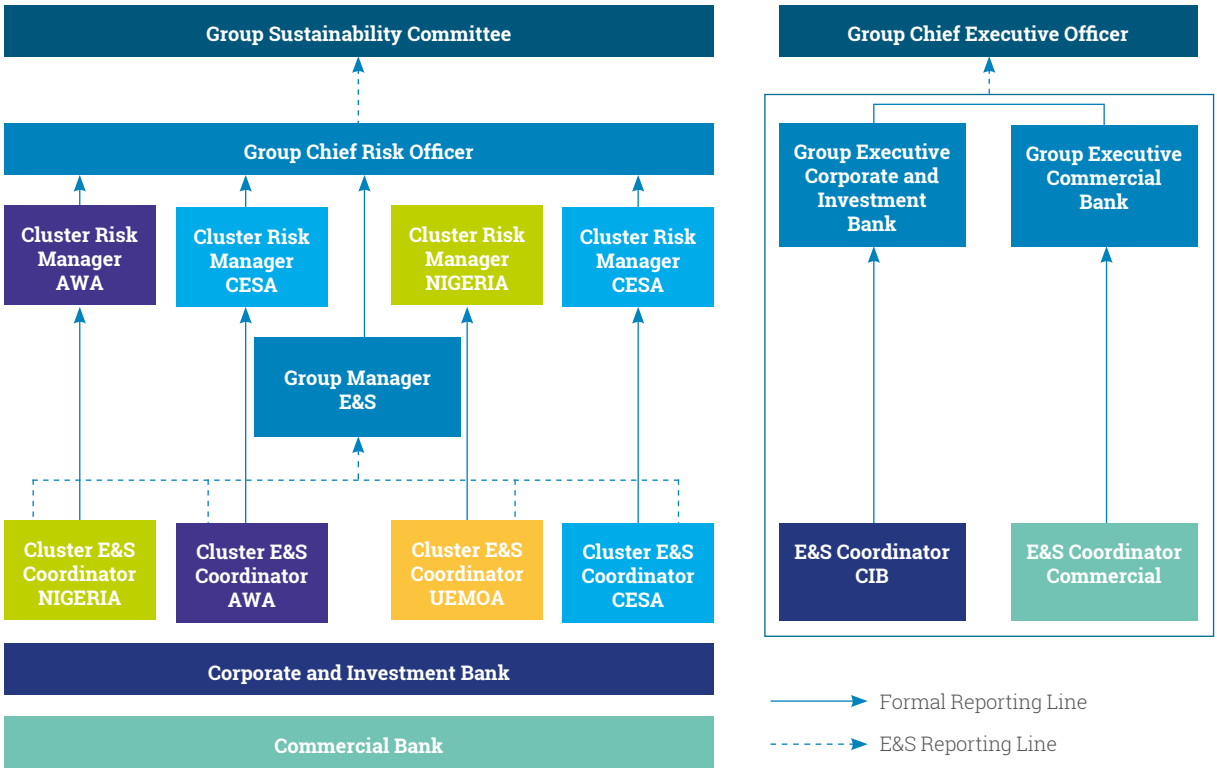
In light of the above, the concentration of qualifying transactions in the combined Medium category further implies that Ecobank exposure to E&S risk transactions remains in a stable position within the management containment limit.

Capacity building

ESRM is gaining appreciation in Ecobank as a key emerging risk and the Group E&S unit continues to create knowledge and stimulate awareness about ESRM. In 2019, direct training workshops on the implementation of ESRM in Ecobank was organised for staff in Ecobank Rwanda, Ecobank Burkina Faso, Ecobank Malawi, Ecobank Mozambique, Ecobank Nigeria and Ecobank Gabon. 128 staff participated in face-to-face training workshops in six Ecobank affiliates. Another 1,000 staff participated in the comprehensive online ESRM training delivered via Ecobank Virtual Banking Institute (VBI).

In the same vein, following the revision of Group E&S reporting procedures in the previous year (2018), which included the designation of Ecobank affiliates into High and Medium levels for Ecobank E&S risk classification. In High E&S designated affiliates, E&S risk eligible transactions with a value of ≥US$5M and tenor of ≥24 months are to be presented to the Group office for review. This empowers the Country Risk Management team and Regional E&S risk coordinators to review and manage transactions below these thresholds. In Medium designated affiliates, E&S risk eligible transactions with a total value of ≥US$2M with tenor between 12 months to 24 months are to be presented to the Group E&S unit for a detailed monthly review and monitoring oversight. Subsequently, the organogram structure of Group E&S has also been enhanced in 2019 with the creation of E&S coordinators in the Corporate and Investment Banking (CIB) and the Commercial Banking (CMB) business segments.

E&S Organogram Structure
Figure 4



RISK MANAGEMENT

Updated E&S Policy

In 2019, the updated E&S policy and procedure manual was presented and approved by the ETI Board. The updated policy is an amendment of the E&S policy approved by the ETI Board in 2014. It realigned the E&S risk classification into three categories, namely Low, Medium and High risk from the previous four classification categories (Low, Medium B, Medium A, and High). The updated E&S Policy will continue to promote and ensure sound environmental and socially responsible banking across Ecobank by:

- Identifying and managing the E&S risk in Credit transactions;
- Transforming environmental and social risk into opportunities through application of E&S Assessment and E&S Due Diligence that add values to our clients, whilst providing sustainable competitive advantage for the Bank, where possible;
- Supporting our clients to conduct their business in an environmentally friendly and socially acceptable manner, while helping Ecobank to chart forward its corporate sustainability stewardship;
- Building skills in environmental and social risk analysis and management, while grooming knowledgeable managers across the Group in this regard; and
- Achieving superior shareholder performance through better environmental and social operations.

Networking on ESRM practices

Ecobank Ghana is accredited for the Green Climate Fund (GCF). In further recognition of Ecobank leadership in Environmental and Social Risk Management (ESRM), we are pleased to inform you that the Green Climate Fund (GCF), at its 23rd Board Meeting in July 2019 held in Songdo Incheon in the Republic of Korea, approved Ecobank Ghana's Accreditation to GCF.

The decision was unanimously approved by the GCF board following the recommendation of the Accreditation Panel of Experts. Ecobank Ghana is the first entity in Ghana and the first commercial bank in sub-Saharan Africa to be accredited to the fund. Eighty-eight (88) entities have so far been accredited to the GCF as at 31 July 2019.

Benefits of the Green Climate Fund Accreditation to Ecobank Ghana include:

- Positioning Ecobank Ghana as a thought leader in the wider Climate Action community and at the forefront of environmental initiatives and solutions.
- Direct access to funding for the financing of climate change mitigation and adaptation projects.
- Receiving grants for capacity building.

The Green Climate Fund is a new global fund created to support the efforts of developing countries to respond to the challenge of climate change. GCF helps developing countries to limit or reduce their greenhouse gas emissions and adapt to climate change. It seeks to promote a paradigm shift to low-emission and climate-resilient development, considering the needs of nations that are particularly vulnerable to climate change impacts.

GCF's activities are aligned with the priorities of developing countries through the principle of country ownership, and the Fund was established in 2014, mainly through mobilisation and pledges from developed countries. The Fund pays specific attention to the needs of societies that are highly vulnerable to the effects of climate change in developing countries.

The Fund's investments are mainly in the form of grants, loans, equity or guarantees and the funding is project specific. Ecobank Ghana has been accredited for on-lending to beneficiaries.

Ecobank signs up to UNEP FI Principles for Responsible Banking. In November 2019, ETI become an official Signatory to the UN Principles for Responsible Banking: a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and the United Nations Environment Programmes Finance Initiative (UNEPFI).

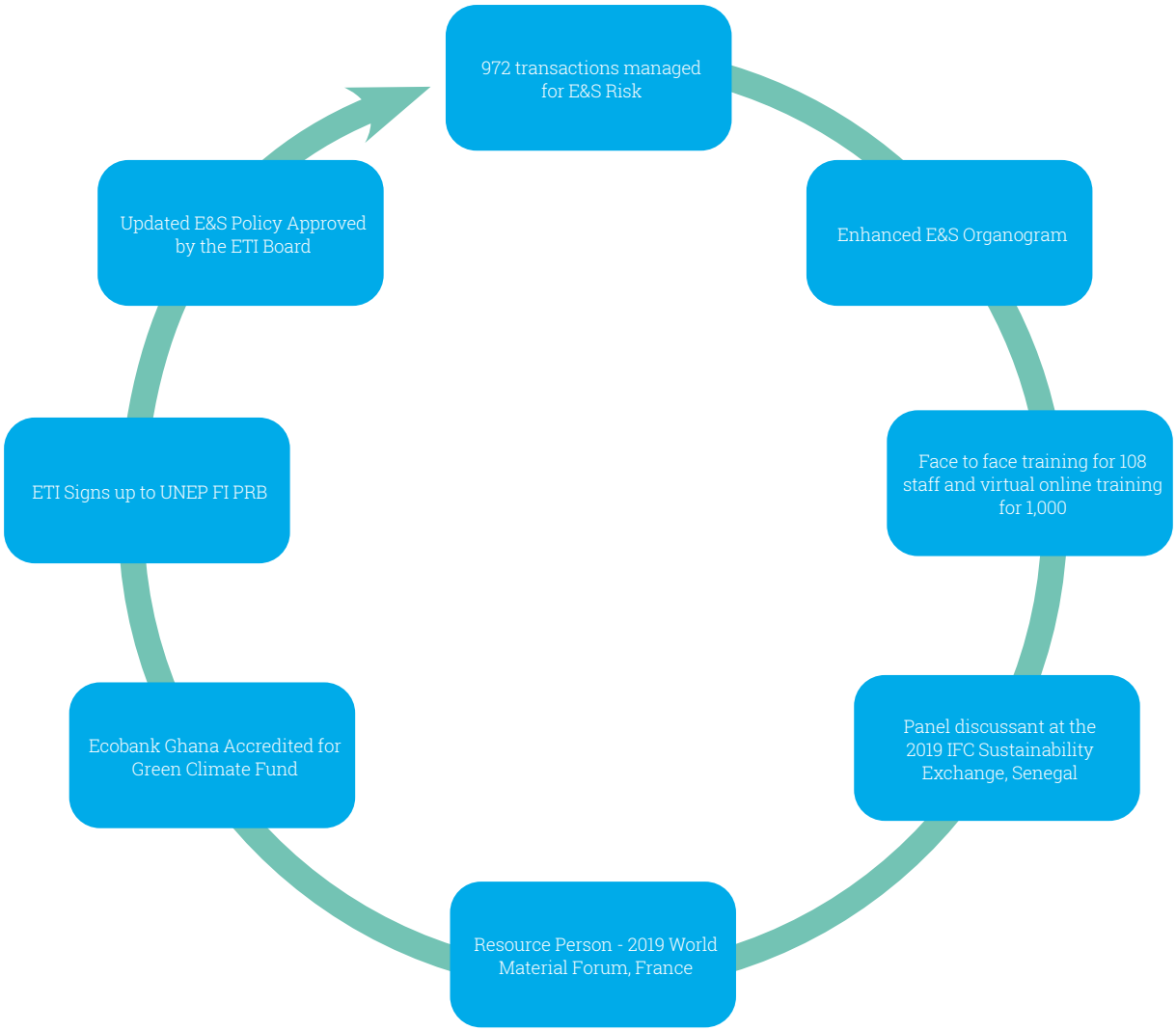
The six Principles for Responsible Banking align the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. They embed sustainability across all business areas and enable banks to identify where they can make the most impact to the sustainable development of economies and the world. The Principles aim to create a financial sector that serves people and the planet, while delivering positive impacts and improving people's quality of life, without compromising that of future generations.

Mr Ade Ayeyemi, Group CEO of Ecobank said: "At Ecobank we take our sustainability responsibilities seriously by continuously ensuring that sustainable practices are established throughout our decision making, management, business activities and organisation. Along with our customer-centric focus and intent to be a trusted adviser, we take a proactive leadership role in sustainability and our decisions and actions always take account of society's goals and Africa's future generations. By subscribing to the six Principles for Responsible Banking we are publicly declaring that we follow the best-in-class sustainability practices that have been adopted by major global banks."

Members of the banking industry of UNEP FI have developed the six Principles of Responsible Banking to refine the business and Environmental, Social and Governance practices in the banking industry. The Principles guide banks in their sustainability stewardship and challenge them to continuously increase their contribution towards a sustainable future.

Ecobank has been a signatory to the UNEP FI since 2009. The Initiative has 274 financial institution members from the banking, insurance and investment industries. Ecobank also serves on the Global Steering Committee (GSC) of UNEP FI.

The major highlights of the E&S team for 2019 are presented below:



RISK MANAGEMENT

5 Capital management

5.1 Group level

The Group Capital Management Policy aims to maintain compliance with all regulatory capital requirements and support the Group's credit rating objectives. It also establishes the principles by which capital is allocated to business activities in order to provide an optimal return to the providers of capital.

Prior to 2018, the Group voluntarily adopted Basel I standards to calculate and manage capital adequacy at the consolidated level. Effective 1 January 2018, the consolidated Group became subject to the Banque Centrale des Etats d'Afrique de l'Ouest's (BCEAO) Basel II/III prudential regulations. These regulations are an adoption of Basel II standardised rules plus some elements of Basel III. They require the Group to maintain minimum CET 1, Tier 1, and Total capital adequacy ratios, a minimum leverage ratio and a maximum single customer exposure.

Full implementation of Basel II/III in UEMOA will span a five-year period, from 2018 to 2022. The Table below presents our minimum required ratios for the period 2018-2023:

	2018	2019	2020	2021	2022	2023
CET 1 ratio	5%	5%	5%	5%	5%	5%
CET 1 ratio + Conservation buffer	5.625%	6.25%	6.875%	7.50%	7.5%	7.5%
Tier 1 capital ratio	6%	6%	6%	6%	6%	6%
Tier 1 capital ratio + Conservation buffer	6.625%	7.25%	7.875%	8.50%	8.5%	8.5%
Total CAR	8%	8.25%	8.50%	8.75%	9%	9%
Total CAR + Conservation buffer	8.625%	9.5%	10.375%	11.25%	11.5%	11.5%
Tier 1 Leverage ratio	3%	3%	3%	3%	3%	3%
Target Internal Total CAR	**12.0%**	**12.5%**	**13.0%**	**13.5%**	**14.0%**	**14.0%**

As at 30 December 2019, the Group was compliant with regulatory minimum CAR ratios and above its internal CAR targets with a Total CAR of 11.6%.

$ in thousands	31 December 2019	Restated 31 December 2018
Tier 1 capital	1,356,670	1,461,821
Total regulatory capital	**1,794,595**	**1,981,903**
Risk-weighted assets:		
Credit risk weighted assets	12,126,499	12,240,152
Market risk weighted assets	82,123	268,212
Operational risk weighted assets	3,294,858	3,501,410
Total risk-weighted assets	**15,503,480**	**16,009,774**
Tier 1 Capital Adequacy Ratio	8.8%	9.1%
Total Capital Adequacy Ratio	11.6%	12.4%

5.2 Affiliate level

In all of Ecobank's countries of operation, banking subsidiaries are required to maintain minimum capital levels and minimum capital adequacy ratios which are determined by their national or regional (in the case of the UEMOA and CEMAC zones) regulators. Of the 22 banking regulators that supervise Ecobank affiliates, 15 have so far adopted Basel II or Basel III standards.

The Group is committed to complying with all local regulations and to ensuring that our subsidiaries are well capitalised; we thus monitor the capital adequacy of all subsidiaries vis-à-vis regulatory requirements and internal risk appetite. When a potential shortage arises, appropriate actions are taken to ensure immediate compliance with regulations.

BUSINESS AND FINANCIAL REVIEW

05

BUSINESS AND FINANCIAL REVIEW

Introduction

Ecobank Transnational Incorporated (ETI) and its banks, non-bank subsidiaries and affiliates are collectively known as the 'Ecobank Group', or 'Ecobank', or 'The Group'. Ecobank is the leading pan-African financial institution in Africa, present in 35 African countries, with international offices in Paris, London, Dubai and Beijing. Ecobank serves approximately 24 million customers, has $23,641 million in assets and $1,886 million in total equity as of 31 December 2019.

For management purposes, the Group organises its activities into three primary reportable business segments. The Consumer Bank is the Group's consumer business, and the Commercial Bank and the Corporate and Investment Bank are its wholesale businesses.

Additionally, the Group organises its geographical regions into four reportable segments, namely, Nigeria, Francophone West Africa (UEMOA), Anglophone West Africa (AWA), and Central, Eastern and Southern Africa (CESA).

Ecobank prepares its consolidated financial statements per International Financial Reporting Standards (IFRS). The following 'Business and Financial Review' provides a comparative overview and discussion of the consolidated financial results of the Ecobank Group for the years ended 31 December 2019 and 31 December 2018.

Income statement analysis

Significant items impacting the 2019 financial results:

- Ecobank's 2018 financials were restated to reflect the reversal of interest income of $79.5 million in Ecobank Nigeria earned between 1 July 2017 and 31 December 2018. This related to legitimate loans that were granted to some petroleum marketing companies for the supply of petroleum products based on a government-related fuel subsidy programme. The reversal was mandated through a 2019 directive from the Central Bank of Nigeria to all banks with these exposures.
- The authorities in Zimbabwe designated the Zimbabwean economy as hyperinflationary as of 1 July 2019. As a result, we had to apply the *Financial Reporting in Hyperinflationary Economies Standard* (IAS 29), which resulted in a net monetary loss of $9 million in 2019. An additional $8 million arising from the use of end-of-period exchange rates, instead of average rates, in translating the financials in a hyperinflationary economy, negatively impacted profit before tax.
- Ecobank exited Angola in 2019 and in the process incurred a foreign currency translation impairment loss of $10 million from the repatriation of residual capital due to the depreciation of the Angolan kwanza against the US dollar.

Financial overview

Year ended 31 December (in thousands of US dollars, except per share data and ratios)	2019	2018
Operating income (net revenues)	1,622,259	1,825,171
Operating profit before impairment losses & taxation	548,878	702,404
Profit before tax	405,079	356,508
Profit for the year	274,934	249,180
Profit attributable to ETI shareholders	193,958	182,178
Diluted earnings per ordinary share, EPS ($)	0.0078	0.0074
Tangible book value per ordinary share, TBVPS ($)	0.05	0.05
Return on equity (ROE)[1]	13.2%	11.9%
Return on tangible equity (ROTE)[2]	16.5%	14.6%

[1] ROE is computed using profit attributable to ETI (parent company) shareholders divided by the average end-of-period ETI shareholders' equity.
[2] ROTE is computed using profit attributable to ETI shareholders divided by the average end-of-period tangible shareholders' equity. Tangible shareholders' equity is ETI shareholders' equity less non-controlling interests, goodwill and intangible assets.

Ecobank generated profit before tax of $405 million, an increase of $49 million, or 14% compared with $357 million for 2018. Profit attributable to the shareholders of Ecobank Transnational Inc. (ETI), the parent company was $194 million, an increase of $12 million, or 6%, compared with $182 million for 2018. Diluted earnings per ordinary share were $0.0078 (0.78 US dollar cents) for 2019, 6% higher, compared with $0.0074 (0.74 US dollar cents) for 2018. Return on tangible equity (ROTE) was 16.5% for 2019, compared with 14.6% for 2018. Tangible book value per ordinary share (TBVPS) was $0.05 (4.72 US dollar cents) as at 31 December 2019, compared with $0.05 (4.77 US dollar cents) in 2018.

Operating income (net revenue)

Year ended 31 December (in thousands of US dollars)	2019	2018	Change
Net interest income (NII)	**749,729**	**929,760**	**(19)%**
Fee and commission income			
Credit related fees and commissions	134,470	136,094	(1)%
Corporate finance fees	13,951	13,798	1%
Portfolio and other management fees	21,243	19,117	11%
Brokerage fees and commissions	5,383	3,439	57%
Cash management and related fees (*)	198,499	230,304	(14)%
Card management fees	79,430	87,041	(9)%
Others	6,890	17,641	(61)%
Fees and commission expense	(40,350)	(62,993)	(36)%
Net fee and commission income	**419,516**	**444,441**	**(6)%**
Foreign exchange (FX) income	295,558	340,762	(13)%
Securities trading	86,133	41,123	109%
Net trading income	**381,691**	**381,885**	**(0)%**
Net losses from investment securities	6,879	(14)	n.a.
Other operating income	64,444	69,099	(7)%
Non-interest revenue (NIR)	**872,530**	**895,411**	**(3)%**
Operating income/Net revenue (NII + NIR)	**1,622,259**	**1,825,171**	**(11)%**
Net interest margin (NIM)	4.7%	5.3%	–
Contribution of NIR to operating income	53.8%	49.1%	–

* Cash management and related fees is the sum of - Funds transfer commissions, Euro commissions, Rapid Transfer, current account servicing, draft issuance commissions, Western Union commissions, Internet and SMS banking commissions, mobile money revenues, other cash management commissions, Money Gram commissions, RIA commissions, WARI commissions, Bancassurance commissions, Cash management from affiliates.

Operating income (net revenue)

Operating income, which is the sum of net interest income (NII) and non-interest revenue (NIR), decreased $203 million or 11%, to $1,622 million for 2019 compared with $1,825 million for 2018. Excluding the impact of foreign exchange (FX) translation (or in constant currency), operating income increased $59 million or 3%, with a decline in net interest income offset by an increase in non-interest revenue.

BUSINESS AND FINANCIAL REVIEW

Net interest income

Net interest income is the interest earned on loans and advances to customers and other financial institutions, debt securities, and other interest-earning assets minus the interest paid on customer deposits, other deposits, and short and long-term borrowings. In 2019, net interest income was $750 million, down $180 million, or 19%, compared with $930 million for 2018. In constant currency, net interest income declined $92 million or 10%. The non-recognition of $52 million of interest income earned on government-related oil and gas loans made to petroleum marketing companies in Nigeria was the primary driver of the decrease in net interest income. Additionally, excess deposits above the cash reserve ratio (CRR) in Nigeria at the Central Bank not earning interests, a more economical than expected growth in loans, and compression in the spread between lending rates and funding cost further contributed to the decrease in net interest income.

The net interest margin (NIM) is the average yield on interest-earning assets minus the average interest rate paid for deposits and other sources of funding. In 2019, NIM was 4.7%, down 60 basis points from 2018, driven by compression in net interest spreads and intense competition. The classification of government-related oil and gas loans in Nigeria as non-interest earning assets also negatively impacted the net interest margin.

Non-interest revenue

Non-interest revenue for 2019 was $873 million, a decrease of $23 million, or 3%, from 2018. In constant currency terms, non-interest revenue increased by $151 million or 17%. Reported net fee and commission income was $420 million, down 6% from 2018, reflecting adverse foreign exchange translation effects. Adjusting for that, underlying non-interest revenues increased, reflecting an increase in credit-related fees, investment banking and asset management fees, and card management fees. Foreign exchange income, fees we earn from buying and selling foreign currency on behalf of clients, was $296 million, decreasing by 13% on a reported basis, driven by adverse currency translation impact. On a constant currency adjusted basis, growth in foreign exchange income was modest, reflecting higher foreign exchange fees in Zimbabwe, partially offset by the negative impact which the enforcement of foreign-exchange restrictions in our Francophone West Africa and Central Africa regions mandating all banks to process foreign currency transactions through the Central Bank had on foreign exchange income. Income from trading securities mainly derived from trading in government debt was $86 million, an increase of 109% on a reported basis.

Operating expenses

Year ended 31 December (in thousands of US dollars)	2019	2018	Change
Staff expenses	**490,311**	**512,455**	**(4)%**
Depreciation and amortisation	**108,504**	**97,444**	**11%**
Communications and technology	120,561	119,439	1%
Professional & legal fees	67,379	59,886	13%
Rent and utilities	33,795	63,522	(47)%
Repairs and maintenance	25,293	34,055	(26)%
Insurance	30,690	30,704	(0)%
Others[1]	196,848	205,262	(4)%
Other operating expenses	**474,566**	**512,868**	**(7)%**
Total operating expenses	**1,073,381**	**1,122,767**	**(4)%**
Cost-to-income ratio	66.2%	61.5%	

[1] Others include operational losses and fines, advertising and promotion, business travel, supplies and services, fuel, etc.

Reported expenses for 2019 were $1,073 million, down $49 million, or 4%, from 2018. On a constant currency basis, expenses increased by 11% in 2019. Staff expenses, headcount and business activity levels are the primary drivers of operating expenses. Staff costs include salaries, allowances, additional compensation, pension costs and post-retirement benefits. Staff costs were $490 million, down 4% on a reported basis, but up 11% on a constant currency basis. The increase in staff costs reflected higher staff-related costs, including pension benefits, partially offsetting the increase was a decrease in staff expenses.

Other non-staff related costs, including depreciation and amortisation expenses, were $583 million, a decrease of 4% on a reported basis, but an increase of 10% in constant currency terms, driven by an increase in the depreciation cost of right-to-use assets, partially offset by a decrease in rent and utilities, repairs and maintenance. The cost-to-income ratio (efficiency ratio) was 66.2%, compared with 61.5% in 2018. The primary driver of the higher then expected increase in the cost-to-income ratio was the lower than expected revenues, as mentioned earlier.

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Impairment Charges

Year ended 31 December (in thousands of US dollars)	2019	2018 Restated	Change
Specific impairment charges			
Provisions for loan impairment	715,329	638,216	12%
Provisions no longer required	(616,751)	(179,909)	243%
Specific impairment charges on loans and advances	98,578	458,307	(78)%
Collective impairment charges			
Provisions for loan impairment	129,605	251,909	(49)%
Provisions no longer required	(118,268)	(390,746)	(70)%
Collective impairment losses on loans and advances	11,337	(138,837)	n.m.
Impairment charges on loans and advances (net)	**109,915**	**319,470**	**(66)%**
Impairment charges on other financial assets	33,899	23,914	42%
Impairment charges on financial assets	**143,814**	**343,384**	**(58)%**
Cost-of-risk	1.12%	3.24%	

n.m. = not meaningful

Impairment Charges

Impairment charges on loans, net of recoveries, collections, and provisions no longer required for 2019 were $110 million, compared with $319 million in 2018. The lower impairment charges in 2019 compared to 2018 were primarily due to the significant increase in the recovery rates on non-performing loans, which demonstrated the effectiveness of the implementation of our aggressive recovery strategy on non-performing loans. These recovered non-performing loans were broad-based across all our lines of business. Furthermore, impairment charges for 2018 were restated higher due to the $79.5 million in interest income reversal in Nigeria relating to legitimate loans granted to some petroleum marketing companies for the supply of petroleum products based on government-related fuel subsidy. As a result, the cost-of-risk was 1.12% in 2019, compared with 3.24% in 2018.

Taxation

Income taxes were $135 million, compared with $108 million in 2018. The company's effective income tax rate was 33.3% for 2019, compared with 30.3% in 2018. The higher effective tax rate of 2019 was due to higher profits in our higher tax regions of Central, Eastern and Southern Africa and Anglophone West Africa.

Balance sheet analysis

Consolidated balance sheet overview

The Group's reported assets totalled $23,641 million as at 31 December 2019, compared with assets of $22,503 million as of 31 December 2018 (restated).

In constant currency terms, assets were $26,852 million as of 31 December 2019. The increase in assets was predominantly driven by loans and advances to customers and investment securities. There follows a year-on-year analysis of significant changes to specific items within the consolidated Balance Sheets.

Selected Consolidated Balance Sheets data

At 31 December (in thousands of US dollars)	2019	2018 Restated	Change
Assets			
Cash and balance with central banks	2,829,313	2,797,417	1%
Loans and advances to banks	1,891,889	1,717,575	10%
Trading financial assets	182,662	122,283	49%
Investment securities:			
Treasury bills and other eligible bills	1,632,749	1,828,251	(11)%
Derivative financial instruments	65,459	49,914	31%
Investment securities	4,857,763	4,568,262	6%
Pledged assets	351,478	240,434	46%
Loans and advances to customers (gross)	9,833,658	9,807,209	0%
Less, accumulated impairment losses	(557,050)	(718,009)	(22)%
Loans and advances to customers (net)	9,276,608	9,089,200	2%
Intangible assets	309,974	278,334	11%
Property and equipment	831,182	827,165	0%
Other assets	1,412,107	983,892	44%
Total assets	**23,641,184**	**22,502,727**	**5%**

BUSINESS AND FINANCIAL REVIEW

Cash and balances with central banks

We deposit cash with central banks to meet reserve requirements and to facilitate liquidity management as part of the normal course of our business. As at 31 December 2019, cash and balances with central banks amounted to $2,829 million, up $32 million, compared with $2,797 million in 2018. The marginal increase in cash and balances with central banks was driven by growth in mandatory reserves deposits with central banks.

Loans and advances to banks

Loans and advances to banks largely constitute deposits held with other banks to facilitate correspondent banking relationships and to manage our liquidity and interest rate risks, and placements. Loans and advances to banks amounted to $1,892 million as at 31 December 2019, an increase of $174 million, when compared to $1,718 million as at 31 December 2018. The increase in loans and advances to banks was primarily driven by an increase in deposits and placements with other banks.

Trading financial assets

These are securities we hold for trading purposes and are mostly government bonds held in Nigeria (approximately 80% of total trading securities) and Central, Eastern and Southern Africa region (14%). Trading securities balances were $183 million, an increase of 49% from 2018. The decline in average interest rates drove the increase in trading securities.

Investment securities

Our investment securities portfolio consists mostly of government treasuries of various durations, debt securities and equity securities. We hold these securities to meet cash requirements, liquidity, and asset and liability management.

1. Treasury bills and other eligible bills

We invest the deposits that we do not immediately loan to clients in government treasuries. At the end of 2019, we held $1,633 million in treasury bills, representing a decrease of 11% from 2018. The declining rate environment in 2019 resulted in us holding lower treasury balances.

2. Investment securities

These are investment securities, other than treasury bills. They comprise listed and non-listed debt and equity instruments, with debt securities accounting for nearly 97% of total investment securities. These are carried on the balance sheet at fair value through other comprehensive income. As of 31 December 2019, we held $4,695 million in debt securities, mostly in the Francophone West Africa region and Ghana, and $164 million in mostly unlisted equity securities. Total investment securities increased by 6% to $4,858 million.

Loans and advances to customers

At 31 December (in thousands of US dollars)	2019	2018	Change
Group			
Loans and advances to customers (gross)	**9,833,658**	**9,807,209**	**0.3%**
Less: allowance for impairment losses	(557,050)	(718,009)	(22.4)%
Loans and advances to customers (net)	**9,276,608**	**9,089,200**	**2.1%**
Non-performing loans	955,665	944,539	1.2%
Loans-to-deposits ratio	60.2%	61.5%	–
Non-performing loan ratio	9.7%	9.6%	–
NPL coverage ratio	58.3%	76.0%	–
Gross loans by Business Segments			
Corporate and Investment Bank	7,145,246	7,365,882	(3.0)%
Commercial Bank	1,608,824	1,478,441	8.8%
Consumer Bank	1,079,588	962,886	12.1%
Total loans and advances to customers	**9,833,658**	**9,807,209**	**0.3%**
Gross loans by Geographic Regions			
UEMOA	3,848,433	3,851,256	(0.1)%
NIGERIA	2,504,007	2,544,554	(1.6)%
AWA	1,376,147	1,193,947	15.3%
CESA	1,699,369	1,810,675	(6.1)%
OTHERS	405,702	406,777	(0.3)%
Total loans and advances to customers	**9,833,658**	**9,807,209**	**0.3%**

BUSINESS AND FINANCIAL REVIEW

Loans and advances to customers

The Group provides loans to customers, ranging from households and small businesses to regional and multinational corporates, and sovereign related entities. At 31 December 2019, gross loans were $9,834 million, compared to $9,807 million in 2018. Loans and advances, net of accumulated impairment losses were $9,277 million, an increase of 2% from the prior year. On a constant currency basis, net loans and advances to customers rose 5% in 2019.

For the business segments, on a reported basis Consumer Bank grew customer loans by 12% to $1,080 million, driven by an increase in digitally accessed loans. In Commercial Bank, loans rose 9% to $1,609 million, driven primarily by higher utilisation of overdraft loans. Within Corporate and Investment Bank, customer loans decreased 3% to $7,145 million.

For the geographic regions, on a reported basis Anglophone West Africa increased loans by 15% to $1,376 million, driven by Consumer and Commercial banking. Loan growth was down, or relatively flat in the other regions.

The loan loss allowance for impairment losses was $557 million as of 31 December 2019, compared with $718 million in the prior year period. The lower loan loss allowance in 2019 was predominantly driven by significantly higher recoveries of non-performing loans and provision no longer required of $617 million, compared with $118 million in 2019. The 2018 loan loss allowance includes the adjustment for the reversal of interest income of $79.5 million in Ecobank Nigeria earned between 1 July 2017 and 31 December 2018. This related to legitimate oil and gas loans that were granted to some petroleum marketing companies for the supply of petroleum products based on a government-related fuel subsidy programme.

Non-performing loans were $956 million as at 31 December 2019, compared with $945 million as at 31 December 2018. The marginal increase in non-performing loans was primarily driven by the classification of the aforementioned oil and gas loans within Corporate and Investment Bank, partially offset by a decrease in non-performing loans in Commercial Bank. The non-performing loan ratio, as result, deteriorated marginally to 9.7%, compared to 9.6% in 2018.

Deposits from customers

Customer deposits are the primary source of funding for the Group, accounting for approximately 72% of total liabilities and equity. Therefore, the generation of lower-cost deposits is a significant focus of the Group. Thanks to digitalisation, we have developed secure and convenient financial products that aim to drive deposit growth for the firm. Products such as Bank Collect, EcobankPay and Omni, coupled with the Africa Rapidtransfer App and Xpress Points, our agency network, are contributing immensely to the growth in customer deposits.

Customer Deposits

At 31 December (in thousands of US dollars)	2019	2018	Change
Deposits from customers by Business Segment			
Corporate and Investment Bank	7,184,188	7,347,094	(2)%
Commercial Bank	3,556,814	3,346,640	6%
Consumer Bank	5,505,118	5,242,265	5%
	16,246,120	**15,935,999**	**2%**
Deposits from customers by Geographic Regions			
UEMOA	5,641,080	5,737,320	(2)%
NIGERIA	3,714,557	3,523,457	5%
AWA	2,704,446	2,446,784	11%
CESA	3,903,136	4,046,553	(4)%
OTHERS	282,901	181,885	56%
	16,246,120	**15,935,999**	**2%**
Deposits from customers by Type			
Current	9,809,836	9,910,388	(1)%
Savings	2,857,190	2,644,533	8%
Term	3,579,094	3,381,078	6%
	16,246,120	**15,935,999**	**2%**
Cost-of-funds	**3.4%**	**3.0%**	
Loan-to-deposit ratio	**60.5%**	**61.5%**	

As at 31 December 2019 deposits from customers were $16,246 million, an increase of 2% or $310 million from 2018. On a constant currency basis, customer deposits rose 11% or $1,812 million. Commercial Bank and Consumer Bank led growth in customer deposits, increasing by $263 million and $210 million on a reported basis, respectively. On a regional basis, AWA and Nigeria accounted for most of the growth in customer deposits with year-on-year increases of $258 million and $191 million, respectively. The cost of funds or rates paid for funding increased by 42 basis points to 3.4% in 2019, due to a competitive deposit market as yields rose and term deposits increased in some of our markets.

BUSINESS AND FINANCIAL REVIEW

Selected Consolidated Balance Sheet data

At 31 December (in thousands of US dollars)	2019	2018 Restated	Change
Liabilities			
Deposits from other banks	2,207,593	1,465,646	51%
Deposits from customers	16,246,120	15,935,999	2%
Borrowed funds	2,075,001	2,059,690	1%
Other liabilities	1,226,693	1,308,370	(6)%
Total Liabilities	**21,755,407**	**20,769,705**	**5%**
Share capital and premium	2,113,957	2,113,957	–
Retained earnings	245,563	185,893	32%
Reserves	(882,827)	(842,367)	5%
Equity attributable to owners of ETI	**1,476,693**	**1,457,483**	**1%**
Non-controlling interest	409,084	275,539	48%
Total equity	1,885,777	1,733,022	9%
Total liabilities and equity	**23,641,184**	**22,502,727**	**5%**

Borrowed funds

Borrowed funds are an alternative source of relatively long-term funding and are a critical component of the Group's liquidity and capital management activities. ETI, the parent company of the Ecobank Group, oversees the capital planning and funding strategy for the Group. As at 31 December 2019, total borrowed funds for the Group were $2,075 million, an increase of $15 million from 2018. For further information on the composition of our borrowed funds, please refer to Note 34: Borrowed Funds on pages 271-274 of this annual report.

Total equity

Total equity including non-controlling interests (minority interest) was $1,886 million, compared to $1,733 million in 2018.

Equity attributable to ETI shareholders was $1,477 million in 2019, compared with $1,457 million, as of 31 December 2018. The marginal increase was due to a few factors. Firstly, 2018 retained earnings and thereby equity was reduced by the day one impact of IFRS 9 amount of $279 million and by the reversal of $79.5 million of interest income related to the government-related oil and gas loans made to petroleum marketing companies in Nigeria. For 2019, retained earnings were negatively impacted by the suspension of $52 million of interest income related to the oil and gas loans in Nigeria, $35.5 million from the implementation of IAS 39 to address hyperinflation in Zimbabwe, and the negative impact of foreign currency translations reserves.

BUSINESS AND FINANCIAL REVIEW
Corporate and Investment Bank

Corporate and Investment Bank (CIB) offers relevant financial solutions to global and regional corporates, public corporates, financial institutions and international organisations. It delivers tailor-made solutions to meet its clients' needs. It offers a full spectrum of financial products and services, which include corporate lending, trade services, cash management solutions and value-chain finance. The CIB division also provides treasury services, corporate finance, investment banking, securities and wealth and asset management services.

Corporate and Investment Bank

Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	Change
Selected income statement highlights			
Net interest income	**395**	**464**	**(15)%**
Credit related fee and commission	85	97	(12)%
Corporate finance fees	14	14	(0)%
Portfolio and other management fees	20	17	19%
Brokerage fee and commission	5	3.4	53%
Cash management and related fees	55	73	(25)%
Card management fees	0.5	0.8	(40)%
Other fees	(3)	8.6	(136)%
Fee and commission expenses	(24)	(36)	(33)%
Net fees and commissions income, net	152	177	(14)%
Other income	267	294	(9)%
Non-interest revenue	**419**	**471**	**(11)%**
Operating income (net revenue)	**814**	**935**	**(13)%**
Operating expenses	(423)	(473)	(10)%
Operating profit before impairment losses & taxation	**390**	**462**	**(15)%**
Impairment losses on financial assets	(61)	(274)	(78)%
Profit before tax	**330**	**188**	**75%**
Selected balance sheet highlights			
Loans & advances to customer (net)	7,145	7,026	4%
Deposits from customers	7,184	7,347	3%
Selected ratios			
Cost-to-income ratio	52.0%	50.6%	–
Loan-to-deposit ratio	99.5%	100.3%	–
NPL ratio	7.1%	6.5%	–
NPL coverage	39.4%	71.0%	–

Note: selected income statement lines only and thus may not sum up

BUSINESS AND FINANCIAL REVIEW

Performance overview

Corporate and Investment Bank generated profit before tax of $330 million, an increase of $141 million or 75% from 2018, primarily driven by cost reductions and lower impairment losses on loans and other financial assets.

Operating income for 2019 was $814 million, down $121 million, or 13%, from 2018. The decrease in operating income was broad-based across both net interest income and non-interest income. Also, in 2019 CIB exited ten countries, passing on those clients to the Commercial Bank business, which contributed to the reduction in revenues.

Net interest income of $395 million decreased $69 million, or 15% from the prior year, mainly driven by the reversal of $52 million in interest income in Ecobank Nigeria on loans granted to some petroleum marketing companies based on a government-related fuel subsidy programme.

Non-interest revenue of $419 million decreased $52 million or 11%, reflecting lower credit-related fees and cash management fees. Other income, mostly client-related foreign-exchange income and securities trading income, fell $27 million or 9% from 2018.

Operating expenses fell by $49 million, or 10%, to $423 million from 2018. The cost-to-income ratio of 52.0% deteriorated marginally compared to 2018, reflecting continued strong expense discipline.

Impairment losses on loans and other financial assets were $61 million in 2019, compared with $274 million (restated) in 2018. The significantly lower impairment losses for 2019 were as a result of a significant increase in the recoveries of non-performing loans, collections, and other model adjusted impairment losses no longer required. Also 2018 impairment losses were restated to include the $79.5 million of interest income Ecobank Nigeria had to reverse on loans granted to some petroleum marketing companies following a Central Bank of Nigeria directive.

The percentage of non-performing loans to total gross loans were 7.1%, compared with 6.5% in 2018. However, the increase in the non-performing loans ratio predominantly reflects the classification of the loans granted to the petroleum marketing companies.

BUSINESS AND FINANCIAL REVIEW
Commercial Bank

Commercial Bank focuses on delivering relevant financial solutions to growing African businesses by providing lending, cash management, trade finance, Fixed Income, Currencies and Commodities (FICC), cards and e-banking to a wide array of customers in its primary lines of business namely, small and medium-sized enterprises (SMEs), public sector and local corporates. The SME line of business consistently contributes 60% of operating income.

However, Commercial Bank aims to increase revenue share from the other business lines. Commercial Bank leverages digital technology in its product offerings. Products such as EcobankPay, Bank Collect, Omni Lite and eGovernment, enable clients to effect payments and collections and manage cash flow digitally.

Commercial Bank

Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	Change
Selected income statement highlights			
Net interest income	**155**	**163**	**(5)%**
Credit related fee and commission	33	31	5%
Corporate finance fees	0.1	-	n.m
Brokerage fee and commission	0.01	-	n.a.
Cash management and related fees	70	74	(6)%
Card management fees	2.8	1.4	99%
Other fees	6.4	5.1	27%
Fee and commission expenses	(7)	(14)	(51)%
Fees and commission income, net	105	98	7%
Other income	100	93	7%
Non-interest revenue	**205**	**191**	**7%**
Operating income (net revenue)	**360**	**354**	**2%**
Operating expenses	(277)	(264)	5%
Operating income before impairment losses & taxation	**82**	**90**	**(9)%**
Impairment losses on financial assets	(33)	(61)	(46)%
Profit before tax	**50**	**29**	**70%**
Selected balance sheet highlights			
Loans & advances to customer (net)	1,609	1,253	28%
Deposits from customers	3,557	3,347	6%
Selected ratios			
Cost-to-income ratio	77.1%	74.6%	–
Loan-to-deposit ratio	45.2%	44.2%	–
NPL ratio	22.6%	25.8%	–
NPL coverage	76.3%	67.7%	–

Note: selected income statement lines only and thus may not sum up.
n.m. = not meaningful.

Performance overview

Commercial Bank generated profit before tax of $50 million, an increase of $20 million or 70% from the prior year. The increase in profit before tax was primarily driven by a significant increase in recoveries of non-performing loans and non-interest revenues.

Operating income of $360 million, increased marginally by $5 million, or 2%, with growth in non-interest revenue partially offset by a decrease in net interest income.

Net interest income of $155 million, decreased $8 million or 5% from the prior year, reflecting a compression in net interest spreads despite growth in balance sheet.

Non-interest revenue of $205 million, increased $14 million or 7% from 2018. An increase in client-related foreign exchange income contributed to the growth in non-interest revenue. Also, fees generated on lending was driven by the growth in loans.

Operating expenses increased by $13 million or 5% to $277 million.

Impairment losses on loans and other financial assets were $33 million in 2019, compared with $61 million in 2018. The significantly lower impairment losses for 2019 reflected a decrease in non-performing loans and continued disciplined credit risk management. The percentage of total gross loans that are non-performing was 22.6%, a modest improvement from 25.8% in 2018.

BUSINESS AND FINANCIAL REVIEW
Consumer Bank

Consumer Bank offers deposit products, remittances, cards, personal loans and mortgages to Premier, Advantage and Mass Market/Youth customers through agency banking (Xpress Points), ATMs, mobile and online banking. Also, Consumer Bank provides the digital platforms that enable customers to make payments and collections effectively, and transfer money in and outside of Africa. Consumer Bank aims to be the preferred bank for convenient banking across Africa by efficiently and profitably delivering essential banking products and services to consistently delight customers.

Consumer Bank

Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	Change
Selected income statement highlights			
Net interest income	**212**	**240**	**(12)%**
Credit related fee and commission	17	8	107%
Corporate finance	0.04	-	n.m
Portfolio and other management fees	1.4	2.5	(42)%
Brokerage fee and commission	0.125	0.002	6,150%
Cash management and related fees	74	83	(11)%
Card management fees	76.1	84.8	(10)%
Other fees	3.4	1.7	105%
Fee and commission expenses	(4)	(9)	(54)%
Fee and commission income, net	168	171	(2)%
Other income	37	35	5%
Non-interest revenue	**205**	**206**	**(1)%**
Operating income (net revenue)	**417**	**447**	**(7)%**
Operating expenses	(335)	(371)	(10)%
Operating profit before impairment losses & taxation	**82**	**75**	10%
Impairment losses on financial assets	(15)	(13)	17%
Profit before tax	**67**	**62**	**8%**
Selected balance sheet highlights			
Loans & advances to customer (net)	1,080	933	16%
Deposits from customers	5,505	5,242	5%
Selected ratios			
Cost-to-income ratio	80.2%	83.2%	–
Loan-to-deposit ratio	19.6%	18.4%	–
NPL ratio	7.9%	8.8%	–
NPL coverage	93.5%	35.5%	–

Note: selected income statement lines only and thus may not sum up.
n.m. = not meaningful

Performance overview

Consumer Bank posted a profit before tax of $67 million for 2019, $5 million or 8% higher than for 2018. Cost reduction measures predominantly accounted for the increase in profit before tax.

Operating income of $417 million, decreased by $30 million or 7% from 2018, reflecting significantly lower net interest income. Net interest income of $212 million was down $28 million or 12% from 2018, driven primarily by lower average interest rates, partially offset by an increase in interest-earning assets. Non-interest revenues of $205 million were flat compared to last year, reflecting an increase in fees on loans, other fee income, and lower fee and commission expenses.

Operating expenses fell $37 million, or 10%, from 2018. The cost-to-income ratio improved to 80.2%, from 83.2% in the prior year.

Impairment losses on loans and other financial assets were $15 million in 2019, compared with $13 million in 2018. A marginal increase in non-performing loans drove the $2 million increase in 2019 impairments. The ratio of non-performing loans to total gross loans was 7.9%, lower than the 8.8% recorded in 2018.

BUSINESS AND FINANCIAL REVIEW

Review of Ecobank geographical regions

Ecobank segments its businesses into four geographical regions. These reportable operating segments are Francophone West Africa (UEMOA), Nigeria, Anglophone West Africa (AWA), and Central, Eastern and Southern Africa (CESA).

In the first quarter of 2019 we made changes to our regional reportable operating segments to bring simplicity and better alignment to the way that management views the operations. The financial results of the constituent affiliates of Ecobank Development Corporation (EDC), the Group's Investment Banking (IB) and Securities, Wealth, and Asset Management (SWAM) businesses across our geographic footprint were segmented by their country of domicile and included accordingly into applicable regional segments – UEMOA, Nigeria, AWA, or CESA. As such, the financial results for the year ended 2019 are not effectively comparable to the financial results for the year ended 2018, as the latter has not been restated.

Summary Performance - Geographical Regions

Year ended 31 December (in millions of US dollars, except for ratios)	UEMOA	Nigeria[1]	AWA	CESA	ETI & OTHERS[2]	Ecobank Group
Income statement highlights						
Net interest income	291	103	264	194	(102)	750
Non-interest revenue	218	153	172	250	79	873
Operating income (net revenue)	**508**	**256**	**436**	**444**	**(22)**	**1,622**
Staff expenses	121	96	94	99	80	490
Other operating expenses	181	147	111	160	(15)	583
Total operating expenses	302	243	205	259	65	1,073
Operating profit before impairment losses & taxation	**206**	**13**	**232**	**185**	**(87)**	**549**
Impairment losses on financial assets	32	7	54	3	38	134
Profit before tax	**174**	**6**	**178**	**182**	**(135)**	**405**
Profit after tax	147	3	124	122	(121)	275
Balance sheet highlights						
Loans and advances to customers (gross)	**3,848**	**2,504**	**1,376**	**1,699**	**406**	**9,834**
of which stage 1	3,498	1,175	1,203	1,382	407	7,665
of which stage 2	191	731	67	175	49	1,213
of which stage 3, credit impaired loans (non-performing loans)	159	598	106	143	(50)	956
Less: accumulated impairments	**(79)**	**(279)**	**(86)**	**(152)**	**39**	**(557)**
of which stage 1: 12-month ECL	(28)	(22)	(38)	(33)	68	(53)
of which stage 2: Lifetime ECL	(11)	(56)	(2)	(5)	-	(74)
of which stage 3: Lifetime ECL	(41)	(201)	(46)	(114)	(29)	(430)
Loans & advances to customer (net)	3,769	2,225	1,290	1,547	445	9,277
Non-performing loans (Stage 3)	159	598	106	143	(50)	955
Total assets	8,960	5,933	3,595	5,598	(445)	23,641
Deposits from customers	5,641	3,715	2,704	3,903	283	16,246
Total equity	697	785	449	517	(562)	1,886
Ratios						
ROA	1.6%	0.1%	3.6%	2.2%	-	1.2%
ROE[3]	22.8%	0.4%	30.1%	23.6%	-	13.2%
Cost-to-income ratio	59.4%	94.9%	46.9%	58.3%	-	66.2%
Loans-to-deposits ratio	68.2%	67.4%	50.9%	43.5%	-	60.5%
NPL ratio	4.1%	23.9%	7.7%	8.4%	-	9.7%
NPL coverage	50.1%	46.6%	80.9%	106.4%	-	58.4%
Stage 3 coverage	25.6%	33.6%	43.1%	79.8%	-	45.0%

[1] Also included in the Nigeria region are the results of the Resolution Vehicle.
[2] ETI & Others comprise the financial results of the parent company (ETI), eProcess (the Group's technology shared services company owned by ETI), Paris subsidiary, other owned ETI affiliates and structured entities, and the impact of accounting eliminations arising from Group consolidation.
[3] ROE for the regions are computed using profit after tax divided by total equity. ROE for the Group is profit attributable to ETI divided by ETI's shareholders' equity.

BUSINESS AND FINANCIAL REVIEW
Francophone West Africa

Francophone West Africa (UEMOA) Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	YoY	Ccy[1]
Net interest income	291	283	3%	8%
Non-interest revenue	218	228	(4)%	1%
Operating income	508	511	(0)%	5%
Operating expense	(302)	(310)	(2)%	3%
Operating profit before impairment losses & taxation	206	201	3%	8%
Impairment losses on financial assets	(32)	(50)	(34)%	(33)%
Profit before tax	**174**	**151**	**15%**	**21%**
Profit after tax	147	143	3%	-
Key metrics				
Equity	697	592	18%	20%
ROE	22.8%	23.7%	-	-
Gross yield on interest earning assets	6.1%	5.8%	-	-
Cost of funds	2.1%	2.0%	-	-
Net interest margin (NIM)	4.0%	3.8%	-	-
Cost-to-income ratio	59.4%	60.7%	-	-
Effective tax rate	15.6%	5.7%	-	-
Loans & advances to customers (gross)	3,848	3,851	(0)%	-
of which stage 1	3,498	3,440	2%	-
of which stage 2	191	193	(1)%	-
of which stage 3, credit impaired loans (NPL)	159	219	(27)%	-
Less: allowance for impairments (Expected Credit Loss)	(79)	(108)	(26)%	-
Of which stage 1: 12-month ECL(1)	(28)	(20)	39%	-
Of which stage 2: Life-time ECL	(11)	(6)	96%	-
Of which stage 3: Life-time ECL	(41)	(82)	(50)%	-
Loans & advances to customers (net)	3,769	3,744	1%	3%
Deposits from customers	5,641	5,737	(2)%	0%
Loans-to-deposits ratio	68.2%	67.1%	-	-
NPL ratio	4.1%	5.5%	-	-
NPL coverage ratio	50.1%	50.5%	-	-
Stage 3 coverage ratio	25.6%	37.5%	-	-

(1) Constant currency reporting eliminates fluctuations in the functional currencies of our operating subsidiaries against the US dollar, our reporting currency. It is a clearer and more meaningful indicator of the firm's underlying performance, assuming the US dollar exchange rate to the various functional currencies did not change within the period.

Performance overview

Francophone West Africa delivered a profit before tax of $174 million, an increase of $22 million, or 15% on a reported basis compared to 2018. In constant currency, profit before tax increased by $32 million. ROE for 2019 was 22.8%, compared with 23.7% in 2018.

Operating income of $508 million on a reported basis decreased by $2 million from 2018. In constant currency, it increased by $25 million, driven by growth in net interest income. Net interest income increased by $8 million, or 3%, to $291 million on a reported basis from the prior year. In constant currency, it increased by $23 million, mainly driven by an increase in investment securities holdings. Non-interest revenue decreased by $10 million, or 4%, to $218 million on a reported basis. On a constant currency basis, it increased marginally. The growth in income from fees and commissions was significantly affected by the stricter enforcement of foreign exchange regulations by the Central Banks in the Francophone Africa countries. The Central Banks of these countries demanded of the banks that all foreign exchange transactions should be executed through the Central Bank, meaning that banks need to apply to the Central Bank to comply with requirements. Initially, bottlenecks in the process significantly reduced levels of activity and in turn, revenues.

Expenses of $302 million decreased by $8 million, or 2%, on a reported basis. In constant currency, operating expenses increased by $9 million, driven by depreciation costs, but partially offset by cost savings in rent, utilities, operations and processes. The cost-to-income ratio improved marginally to 59.4% in 2019, compared with 60.7% in 2018.

Net impairment losses on loans were $32 million, compared with $50 million in 2018. Recovered loans and impairment charges no longer required of $50 million, mostly in Côte d'Ivoire and Mali, drove the lower impairments in 2019.

BUSINESS AND FINANCIAL REVIEW
Nigeria

Nigeria Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018 restated	YoY	Ccy[1]
Net interest income	103	235	(56%)	(49)%
Non-interest revenue	153	191	(20%)	(8)%
Operating income	256	426	(40%)	(31)%
Operating expense	(243)	(284)	(15%)	(1)%
Operating profit before impairment losses & taxation	13	141	(91%)	(90)%
Impairment losses on financial assets	(7)	(145)	n.m.	(93)%
Profit before tax	**6**	**(3)**	**n.m.**	**n.m.**
Profit after tax	3	(5)	n.m.	n.m.
Key metrics				
Equity	785	653	20%	18%
ROE	0.4%	(0.6%)	-	-
Gross yield on interest earning assets	10.9%	11.6%	-	-
Cost of funds	5.8%	6.2%	-	-
Net interest margin (NIM)	4.1%	5.1%	-	-
Cost-to-income ratio	94.9%	66.8%	-	-
Effective tax rate			-	-
Loans & advances to customers (gross)	2,504	2,544	(2%)	-
of which stage 1	1,175	1,320	(11%)	-
of which stage 2	731	876	(17%)	-
of which stage 3, credit impaired loans (NPL)	598	348	72%	-
Less: allowance for impairments (Expected Credit Loss)	(279)	(311)	(10%)	-
of which stage 1: 12-month ECL[(1)]	(22)	(35)	(37%)	-
of which stage 2: Life-time ECL	(56)	(65)	(14%)	-
of which stage 3: Life-time ECL	(201)	(211)	(5%)	-
Loans & advances to customers (net)	2,225	2,234	(0%)	12%
Deposits from customers	3,715	3,523	5%	6%
Loans-to-deposits ratio	67.4%	72.2%	-	-
NPL ratio	23.9%	13.7%	-	-
NPL coverage ratio	46.6%	66.3%	-	-
Stage 3 coverage ratio	33.6%	60.5%	-	-

[(1)] Constant currency reporting eliminates fluctuations in the functional currencies of our operating subsidiaries against the US dollar, our reporting currency. It is a clearer and and more meaningful indicator of the firm's underlying performance, assuming the US dollar exchange rate to the various functional currencies did not change within the period.
n.m. = not meaningful.

Key item

Ecobank Nigeria restated its 2018 financials to reflect interest income reversal of $79.5 million earned between 1 July 2017 and 31 December 2018. This reversal related to legitimate loans that were granted to some petroleum marketing companies for the supply of petroleum products based on government-related oil and gas loans. The reversal was mandated through a 2019 directive from the Central Bank of Nigeria (CBN) to all banks with these exposures.

Performance overview

Nigeria reported profit before tax of $6 million, compared to a loss before tax of $3 million in 2018 (restated). The pre-tax loss for 2018 was mainly due to the reversal of $79.5 million of interest income on government-related oil and gas loans made to petroleum marketing companies as a result of the Central Bank of Nigeria mandated circular. ROE for 2019 was 0.4%.

Operating income of $256 million, declined $170 million from 2018. On a constant currency basis, operating income fell $131 million, mainly due to significantly lower net interest income.

Net interest income of $103 million, declined $132 million, or $116 million on a constant currency basis, from 2018. The non-recognition of $52 million in interest income earned on government-related oil and gas loans made to petroleum marketing companies accounted for a substantial portion of the reduction in net interest income in 2019. Also, a decrease in gross loan balances, coupled with a decline in net interest margin added more pressure on interest income generation. Non-interest revenue of $153 million, declined $38 million or $15 million on a constant currency basis, from 2018. The decrease in non-interest revenue reflected lower fees from cash management and client-related foreign currency trades, partially offset by an increase in fees from corporate finance and securities trading.

Expenses were $243 million, decreasing by $42 million or $4 million in constant currency, from 2018. The cost-to-income ratio for 2019 was 94.9% compared with 66.8% in 2018, mainly due to the significant challenges faced in revenue generation.

Net impairments on financial assets were $7 million for 2019, compared with $145 million for 2018. The increase in gross impairments from the interest income reversal was offset by higher loan recoveries and collections. Impairments for 2018 were adjusted to include the $79.5 million interest income reversal.

BUSINESS AND FINANCIAL REVIEW
Anglophone West Africa

Anglophone West Africa Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	YoY	Ccy[1]
Net interest income	264	242	9%	24%
Non-interest revenue	172	152	13%	27%
Operating income	436	394	11%	25%
Operating expense	(205)	(204)	0%	14%
Operating profit before impairment losses & taxation	232	190	22%	37%
Impairment losses on financial assets	(54)	(42)	29%	46%
Profit before tax	**178**	**148**	**20%**	**35%**
Profit after tax	124	103	21%	-
Key metrics				
Equity	449	374	20%	36%
ROE	30.1%	29.7%	-	-
Gross yield on interest earning assets	11.6%	11.2%	-	-
Cost of funds	1.8%	2.1%	-	-
Net interest margin (NIM)	9.8%	9.1%	-	-
Cost-to-income ratio	46.9%	51.9%	-	-
Effective tax rate	30.2%	30.6%	-	-
Loans & advances to customers (gross)	1,376	1,194	15%	-
of which stage 1	1,203	1,023	18%	-
of which stage 2	67	48	39%	-
of which stage 3, credit impaired loans (NPL)	106	123	(13%)	-
Less: allowance for impairments (Expected Credit Loss)	(86)	(71)	21%	-
of which stage 1: 12-month ECL[1]	(38)	(3)	1,131%	-
of which stage 2: Life-time ECL	(2)	(1)	77%	-
of which stage 3: Life-time ECL	(46)	(67)	(31%)	-
Loans & advances to customers (net)	1,290	1,123	15%	30%
Deposits from customers	2,704	2,447	11%	25%
Loans-to-deposits ratio	50.9%	48.8%	-	-
NPL ratio	7.7%	10.3%	-	-
NPL coverage ratio	80.9%	57.8%	-	-
Stage 3 coverage ratio	43.1%	54.2%	-	-

[1] Constant currency reporting eliminates fluctuations in the functional currencies of our operating subsidiaries against the US dollar, our reporting currency. It is a clearer and more meaningful indicator of the firm's underlying performance, assuming the US dollar exchange rate to the various functional currencies did not change within the period.

Key item

The average rate of the Ghanaian cedi in 2019 was GHS5.54, depreciating 13% against the US dollar. The currency translation impact on the financial results of Anglophone West Africa is substantial, given that Ghana accounts for about 70% of AWA's profit before tax.

Performance overview

Anglophone West Africa posted a profit before tax of $178 million on a reported basis, an increase of $30 million, or 20%, from 2018. In constant currency, profit before tax increased by $52 million, driven by broad-based revenue growth. AWA's ROE for 2019 was 30.1% compared with 29.7% in 2018.

Operating income for 2019 increased by $42 million, or 11%, to $436 million on a reported basis. On a constant currency basis, it increased by $100 million, driven by an increase in fees on deposit products, remittances, and fixed-income, currencies and commodities (FICC). Net interest income of $264 million increased by $22 million, or 9% on a reported basis, or by $58 million on a constant currency basis. An increase in lending, coupled with an expansion in net interest spreads drove the increase in net interest income. Non-interest revenue of $172 million increased by $20 million, or 13% from 2018. On a constant currency basis, non-interest revenue increased by $41 million. The increase in non-interest revenue reflected higher trading income, especially in Ghana, and fees and commissions on cash management and foreign exchange sales.

Expenses of $205 million were flat on a reported basis, but increased by $29 million in constant currency. Revenue-driven related expenses accounted for the increase in expenses for 2019. The cost-to-income ratio improved marginally to 46.9% in 2019, compared with 51.9% in the previous year.

Net impairment losses were $54 million, compared with $42 million in the previous year. The increase in impairment losses reflected higher gross collective impairments on growth in loans.

BUSINESS AND FINANCIAL REVIEW
Central, Eastern and Southern Africa

Central, Eastern and Southern Africa Year ended 31 December (in millions of US dollars, except for ratios)	2019	2018	YoY	Ccy[1]
Net interest income	194	207	(6)%	3%
Non-interest revenue	250	242	3%	49%
Operating income	444	450	(1)%	28%
Operating expense	(259)	(271)	(4)%	25%
Operating profit before impairment losses & taxation	185	178	4%	33%
Impairment losses on financial assets	(3)	(67)	(96)%	(114)%
Profit before tax	**182**	**111**	**64%**	**108%**
Profit after tax	122	68	79%	-
Key metrics				
Equity	517	513	1%	95%
ROE	23.6%	13.5%	-	-
Gross yield on interest earning assets	6.7%	7.3%	-	-
Cost of funds	1.7%	1.7%	-	-
Net interest margin (NIM)	4.9%	5.6%	-	-
Cost-to-income ratio	58.3%	60.3%	-	-
Effective tax rate	33.2%	38.5%	-	-
Loans & advances to customers (gross)	1,699	1,761	(3)%	-
of which stage 1	1,382	1,382	0%	-
of which stage 2	175	241	(28)%	-
of which stage 3, credit impaired loans (NPL)	143	188	(24)%	-
Less: allowance for impairments (Expected Credit Loss)	(152)	(182)	(16)%	-
of which stage 1: 12-month ECL[1]	(33)	(26)	24%	-
of which stage 2: Life-time ECL	(5)	(10)	(46)%	-
of which stage 3: Life-time ECL	(114)	(145)	(22)%	-
Loans & advances to customers (net)	1,547	1,579	(2)%	13%
Deposits from customers	3,903	4,047	(4)%	22%
Loans-to-deposits ratio	43.5%	43.5%	-	-
NPL ratio	8.4%	10.7%	-	-
NPL coverage ratio	106.4%	75.3%	-	-
Stage 3 coverage ratio	79.8%	77.3%	-	-

[1] Constant currency reporting eliminates fluctuations in the functional currencies of our operating subsidiaries against the US dollar, our reporting currency. It is a clearer and more meaningful indicator of the firm's underlying performance, assuming the US dollar exchange rate to the various functional currencies did not change within the period.

Key items

The US dollar strengthened massively against the newly introduced Zimbabwean RTGS dollar from 1:1 at 1 January 2019 to 16.8:1 at 31 December 2019.

Authorities in Zimbabwe designated the economy as hyperinflationary as of 1 July 2019. As a result, we had to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), which resulted in a net monetary loss of $9 million in 2019.

Performance overview

Reported profit before tax for Central, Eastern and Southern Africa was $182 million, an increase of $71 million from 2018. In constant currency, profit before tax increased by $119 million, primarily driven by Zimbabwe, which accounted for approximately 40% of CESA's profit before tax. ROE was 23.6%, a significant improvement from 13.5% in 2018.

Operating income was $444 million, decreasing by $5.2 million from 2018. In constant currency, operating income increased by $127 million, driven by a significant increase in non-interest revenues. Net interest income of $194 million, decreased by $13 million or 6% from 2018. On a constant currency basis, net interest income increased by $6.8 million, driven by balance sheet growth and a favourable yield environment, especially in the Central Africa region. Non-interest revenues were $250 million, up by $8 million or 3% from 2018. In constant currency, non-interest revenues increased by $120 million in 2019, driven mainly by fees and commissions on client-related FX sales, mostly in Zimbabwe. Also contributing to the increase in non-interest revenues were higher fees in cash management, particularly in DR Congo, Cameroon and Gabon.

Expenses of $259 million fell $12 million on a reported basis from the prior year. On a constant currency basis, expenses increased by $68 million in 2019. The increase was mostly revenue-related driven. The cost-to-income ratio improved to 58.3% in 2019, compared with 60.3% in the previous year.

Net impairment losses were $2.9 million for 2019, compared with $67 million in 2018. The significantly lower impairment losses in 2019 reflected substantial recoveries on non-performing loans.

06

FINANCIAL STATEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Responsibility for annual consolidated financial statements

The Directors are responsible for the preparation of the consolidated financial statements for each financial year that give a true and fair view of the financial position of the Group as at 31 December 2019 and the results of its operations, statement of cash flow, income statement and changes in equity for the year ended in compliance with International Financial Reporting Standards ("IFRS"). This responsibility includes ensuring that the Group:

(a) keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Group;

(b) establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and

(c) prepares its consolidated financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, that are consistently applied.

The Directors accept responsibility for the consolidated financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS.

Nothing has come to the attention of the Directors to indicate that the group will not remain a going concern for at least twelve months from the date of this statement.

The Directors are of the opinion that the consolidated financial statements give a true and fair view of the state of the financial affairs of the Group and of its profit or loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Approval of annual consolidated financial statements

The annual consolidated financial statements were approved by the Board of Directors on 28 February 2020 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman

Ade Ayeyemi
Group Chief Executive Officer

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Report on the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of Ecobank Transnational Incorporated and its subsidiaries (together referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ecobank Transnational Incorporated as at 31 December 2019, and its consolidated financial performance and statement of cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with other ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 47 to the financial statements which explains prior year's restatement regarding the accounting for relevant forward looking information ("FLI") with respect to a regulatory directive in Nigeria on reversal of interest charges on some customers' loans, including the impacts of the change on the Group's financial statements. Consequently, prior year figures have been restated accordingly. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the consolidated financial statements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers Loans and advances to customers constitute a significant portion of the total assets of Ecobank Transnational Incorporated. At 31 December 2019, gross loans and advances to customers were $9,834 million (2018: $9,807 million) against which total loan impairment amount of $557 million (2018: $718 million) was recorded, thus leaving a net loan balance of $9,277 million (2018: $9,089 million) which represents about 39% (2018: 40%) of the total assets as at the reporting date (see note 21). The basis of the impairment amount is summarised in the accounting policies in the consolidated financial statements. The Directors exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers. The Group has implemented IFRS 9 *Financial Instruments* since 1 January 2018. This complex standard requires the Group to recognise Expected Credit Losses (ECL) on financial instruments, which involves exercise of significant judgment and estimates. The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include: i. Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. ii. Assessment and measurement of Significant Increase in Credit Risk ('SICR') using different criteria. iii. Modelling for estimation of ECL parameters: • Probabilities of Default (PDs) – 12-month and lifetime; • Loss Given Default (LGD); and • Exposure at Default (EAD). iv. Completeness and accuracy of data used to calculate the ECL. Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	We focused our testing of the impairment of loans and advances to customers on the key assumptions and inputs made by Management and Directors. Specifically, our audit procedures included: • Obtaining an understanding of the loan loss impairment calculation process within the Group; • Testing the design and determining implementation of key controls across the processes relevant to the ECL (allocation of assets into stages, model governance, data accuracy and completeness, credit monitoring, multiple economic scenarios, post model adjustments, individual provisions and processing of journal entries and disclosures); • Assessing the ECL provision levels by stage to determine if they were reasonable considering the Group's portfolio, risk profile, credit risk management practices and the macroeconomic environment; • Challenging the criteria used to allocate assets to stages 1, 2 or 3 in accordance with IFRS 9; • Testing the assumptions, inputs and formulae used in a sample of ECL models with the support of our internal credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default for a sample of models); • Testing the data used in the ECL calculation by reconciling to source systems; and • Assessing the adequacy and appropriateness of disclosures for compliance with the accounting standards. Based on our review, we found that the Group's impairment methodology, including the model, assumptions and key inputs used by Management and Directors to estimate the amount of loan impairment losses and the estimated loan impairment losses determined were appropriate in the circumstances.

Key audit matter	How our audit addressed the key audit matter

Valuation of goodwill
 	
Goodwill carrying value of US$191.6 million (2018: US$199.1 million) was included in intangible assets (Note 27) in the Group's statement of financial position as at 31 December 2019. This asset has been recognised in the consolidated statement of financial position as part of intangible assets as a consequence of the acquisitive nature of the Group.
 	
In line with the requirements of the applicable accounting standard, IAS 36 *Impairment of Assets*, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 27, there are a number of key sensitive judgments adopted by Management in determining the inputs into these models which include:
 	
• Projected financial information;
• Growth rates;
• Estimated tax rates; and
• The discount rates applied to the projected future cash flows.
 	
Accordingly, the impairment test of this asset is considered to be a key audit matter.
 	
Management has developed a valuation model to enable a fair determination of the discounted cash flows for the significant Cash Generating Units (CGUs) to which the goodwill relates.
	We reviewed the Group's goodwill impairment assessment and calculations looking specifically into the valuation model, inputs and key assumptions made by Management.
	
	Our audit procedures included:
	
	• Testing all relevant controls over the generation of the key inputs, e.g. financial forecasts, discount rate, revenue growth rate, etc. that go into the valuation calculation.
	• Engaging our internal valuation specialists to assist with:
	  • Critically evaluating whether the model used by Management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 *Impairment of Assets*.
	  • Validating the assumptions used to calculate the discount rates, projected cash flows and recalculating these rates.
	  • Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the Cash Generating Unit.
	  • Subjecting the key assumptions to sensitivity analyses.
	  • Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of Management's projections.
	  • Checking mathematical accuracy of the calculations.
	
	We found that the assumptions used by Management were reasonable and the expected future outlook and the discount rates used were appropriate in the circumstances. We consider the disclosure of the goodwill to be relevant and useful.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group's interest in investment properties is made up of landed properties and buildings (see note 30). Investment properties are carried at fair value in line with the Group's accounting policies and in compliance with IAS 40 *Investment Property*. However, due to the non-current nature of the asset class, the materiality of the carrying amount to the consolidated financial statements, and determination of their fair value which involve the exercise of significant management judgments, and use of several key inputs and assumptions, we consider this to be a key audit matter. Management has engaged some specialists, mostly professional Estate Surveyors and Valuers, to assist with the determination of the fair value of the properties and produce report of the assets' fair valuation detailing the relevant assumptions used, key inputs and data that go into the valuation of the properties.	Our audit approach consisted of a combination of test of controls and specific tests of details. We focused on testing and reviewing details of Management's assumptions and controls over generation of key inputs that go into the fair value determination of the investment properties and the carrying amount of related indebtedness. We involved our internal valuation specialists in the audit of the valuation reports Our audit procedures included: • Critically evaluating whether the model used by Management to arrive at the fair value estimate of the investment property complies with the requirements of IAS 40 *Investment Property*. • Validating the assumptions used to estimate the fair value and recalculating the valuation. • Analysing future projected cash flows that underline the fair value determination used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and prevailing market data vis-à-vis historical patterns. • the key assumptions to sensitivity analyses. We found that the assumptions used by Management were comparable with historical performance and expected future outlook and the estimated fair value determined was appropriate in the circumstances.

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted investments	
The Group's investment securities include unlisted equities for which there are no liquid market. As contained in note 23, the assets are designated as investment securities and are carried at fair value in line with the group's accounting policies and requirements of IFRS 9 *Financial Instruments*. Given the non-availability of market prices for these securities, determination of their fair valuation by Management involve exercise of significant assumptions and judgements regarding the cash flow forecasts, growth rate and discount rate utilised in the valuation model. This is why it is considered a key audit matter. The Directors have done a valuation to determine the fair value of the unquoted investment securities and details of the valuation work including all relevant assumptions used, key inputs and data that go into the estimate of the fair value of the unquoted investments was made available for our review.	We focused our attention on auditing the valuation of unlisted investment securities by looking specifically into the valuation model, inputs and key assumptions made by the Management. Our audit procedures included: • Evaluating the operating effectiveness of controls over generation of key inputs that went into the valuation model. • Critically evaluating whether the model used by Management to calculate the fair value of the unquoted securities complies with the requirements of IFRS 9 *Financial Instruments*. • Validating the assumptions used to calculate the discount rates used and recalculating these rates. • Subjecting the key assumptions to sensitivity analysis. • Obtaining direct confirmation of the existence and units of the different holdings with the investees' registrars and/or secretariats. • Checking mathematical accuracy of the valuation calculations. We found that the assumptions used by Management were comparable with the market, in accordance with best practice, key data and the discount rates used in estimating the fair value of the instruments were appropriate in the circumstances. We consider the disclosure relating to these instruments to be appropriate in the circumstances.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

Key audit matter	How our audit addressed the key audit matter
Application of hyperinflationary accounting in the preparation of the financial statements of the Group's Zimbabwe operations The reporting and translation of the Zimbabwe operations has been significantly impacted by the recent monetary policy changes and general economic situation in Zimbabwe. On 11 October 2019, the Public Accountants and Auditors Board ("PAAB") issued an alert titled "pronouncement 01/2019 on the application of IAS 29: *Financial Reporting in Hyperinflationary Economies*, in Zimbabwe" covering the preparation and presentation of financial statements of entities operating in Zimbabwe for the financial periods ended on or after 1 July 2019. This has resulted in the need for the Ecobank Group to apply the provisions of IAS 29 *Financial Reporting in Hyperinflationary Economies* to the historical financial statements of its operations in Zimbabwe for the year ended 31 December 2019. This came on the back of earlier monetary policy change that replaced the exchange rate parity between Zimbabwe dollar bills and US dollars to establish RTGS dollar as the official currency effective 20 February 2019. Due to the judgment involved in the selection of appropriate price indices used and the complexities of the calculations performed to produce a hyper-inflated financial statements of Ecobank Zimbabwe, this was considered a key audit matter.	We performed the following procedures: • Assessed the factors around the availability of relevant economic price indices that would be applied in the conversion of historical financial statements of Ecobank Zimbabwe to produce a hyperinflationary financial statements that would be compliant with IAS 29 and regulatory pronouncement. • Reviewed the directors' selection of appropriate price indices applied to the conversion of historical financial statements into hyper-inflated financial statements. • Recalculated the directors' hyperinflation conversion factors used to convert the historical numbers. • Assessed the appropriateness and adequacy of the Group's disclosures in accordance with IFRS. Based on the procedures described above, the methodology used by the directors to prepare the hyperinflationary financial statements of the Zimbabwe operations was found to be appropriate.

Other information

The Directors are responsible for the other information. The other information comprises the Statement of Directors' Responsibilities. The other information does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work performed on the other information that we obtained prior to the date of this auditors' report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ECOBANK TRANSNATIONAL INCORPORATED

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

  If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits of such communication.

For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
9 March 2020

For: Grant Thornton
Chartered Accountants
Abidjan, Cote d'Ivoire
9 March 2020

Engagement Partner: David Achugamonu
FRC/2013/ICAN/0000000840

Engagement Partner: Georges Yao-Yao

CONSOLIDATED INCOME STATEMENT

(All amounts in thousands of US dollars unless otherwise stated)

For the year ended 31 December	Notes	2019	2018 Restated
Interest income	7	1,411,998	1,528,410
Interest expense	7	(662,269)	(598,650)
Net interest income		**749,729**	**929,760**
Fee and commission income	8	459,866	507,434
Fee and commission expense	8	(40,350)	(62,993)
Net trading income	9	381,691	381,885
Net investment income	10	6,879	(14)
Other operating income	11	64,444	69,099
Non-interest revenue		**872,530**	**895,411**
Operating income		**1,622,259**	**1,825,171**
Staff expenses	12	(490,311)	(512,455)
Depreciation and amortisation	12	(108,504)	(97,444)
Other operating expenses	12	(474,566)	(512,868)
Operating expenses		**(1,073,381)**	**(1,122,767)**
Operating profit before impairment losses and taxation		**548,878**	**702,404**
Impairment charges on loans and advances	13	(109,915)	(319,470)
Impairment charges on other financial assets	14	(23,642)	(23,914)
Impairment charges on financial assets		**(133,557)**	**(343,384)**
Operating profit after impairment losses		**415,321**	**359,020**
Net monetary loss arising from hyperinflationary economy	24	(9,466)	–
Share of post-tax results of associates	26	(776)	(2,512)
Profit before tax		**405,079**	**356,508**
Taxation	15	(134,865)	(108,129)
Profit after tax from continuing operations		**270,214**	**248,379**
Profit after tax from discontinued operations	31	4,720	801
Profit after tax		**274,934**	**249,180**
Profit after tax attributable to:			
Owners of the parent		**193,958**	**182,178**
• Continuing operations		191,409	181,745
• Discontinued operations		2,549	433
Non-controlling interests		**80,976**	**67,002**
• Continuing operations		78,805	66,634
• Discontinued operations		2,171	368
		274,934	**249,180**
Earnings per share from continuing operations attributable to owners of the parent during the year (expressed in United States cents per share):			
• Basic	16	0.78	0.74
• Diluted	16	0.78	0.74
Earnings per share from discontinued operations attributable to owners of the parent during the year (expressed in United States cents per share):			
• Basic	16	0.01	0.00
• Diluted	16	0.01	0.00

The accompanying notes are an integral part of these financial statements

(*) See Note 47: Prior period restatement

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in thousands of US dollars unless otherwise stated)

For the year ended 31 December	Notes	2019	2018 Restated
Profit after tax		**274,934**	**249,180**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference on translation of foreign operations		(243,219)	(295,361)
Impact of Hyperinflation		(35,542)	–
Fair value profit/(loss) on debt instruments at FVOCI	41	65,924	(75,962)
Taxation relating to components of other comprehensive income that may be subsequently reclassified to profit or loss	41	(1,468)	2,695
		(214,305)	(368,628)
Items that will not be reclassified to profit or loss:			
Property and equipment – net revaluation gain	41	13,224	(643)
Fair value (loss)/profit in equity instruments designated at FVOCI	41	(184)	348
Remeasurements of defined benefit obligations	41	902	1,374
Taxation relating to components of other comprehensive income that will not be subsequently reclassified to profit or loss	41	(1,083)	(4,342)
		12,859	(3,263)
Other comprehensive loss for the year, net of tax		**(201,446)**	**(371,891)**
Total comprehensive profit/(loss) for the year		**73,488**	**(122,711)**
Total comprehensive profit/(loss) attributable to:			
Owners of the parent		**(14,571)**	**(144,758)**
– Continuing operations		(17,120)	(144,695)
– Discontinued operations		2,549	(63)
Non-controlling interests		**88,059**	**22,047**
– Continuing operations		85,888	22,101
– Discontinued operations		2,171	(54)
		73,488	**(122,711)**

Items in the statement above are disclosed net of tax. The deferred income tax relating to each component of other comprehensive income is disclosed in Note 37.

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in thousands of US dollars unless otherwise stated)

As at 31 December	Notes	2019	2018 Restated
Assets			
Cash and balances with central banks	17	2,829,313	2,797,417
Trading financial assets	18	182,662	122,283
Derivative financial instruments	19	65,459	49,914
Loans and advances to banks	20	1,891,889	1,717,575
Loans and advances to customers	21	9,276,608	9,089,200
Treasury bills and other eligible bills	22	1,632,749	1,828,251
Investment securities	23	4,857,763	4,568,262
Pledged assets	24	351,478	240,434
Other assets	25	1,184,770	739,168
Investment in associates	26	3,664	6,147
Intangible assets	27	309,974	278,334
Property and equipment	28	831,182	827,165
Investment property	30	21,710	29,787
Deferred income tax assets	37	116,424	118,715
		23,555,645	22,412,652
Assets held for sale and discontinued operations	31	85,539	90,075
Total assets		**23,641,184**	**22,502,727**
Liabilities			
Deposits from banks	32	2,207,593	1,465,646
Deposits from customers	33	16,246,120	15,935,999
Derivative financial instruments	19	51,255	29,907
Borrowed funds	34	2,075,001	2,059,690
Other liabilities	35	845,970	996,557
Provisions	36	68,482	52,979
Current income tax liabilities		54,756	52,076
Deferred income tax liabilities	37	67,556	55,099
Retirement benefit obligations	38	31,082	3,896
		21,647,815	20,651,849
Liabilities held for sale and discontinued operations	31	107,592	117,856
Total liabilities		**21,755,407**	**20,769,705**
Equity			
Share capital and premium	40	2,113,957	2,113,957
Retained earnings and reserves	41	(637,264)	(656,474)
Equity attributable to owners of the parents		**1,476,693**	**1,457,483**
Non-controlling interests		**409,084**	**275,539**
Total equity		**1,885,777**	**1,733,022**
Total liabilities and equity		**23,641,184**	**22,502,727**

The accompanying notes are an integral part of these financial statements
The financial statements were approved for issue by the board of directors on 28 February 2020 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman
FRC/2013/ICAN/00000003157

Ade Ayeyemi
Group Chief Executive Officer
FRC/2020/003/00000020528

Ayo Adepoju
Group Chief Financial Officer
FRC/2017/ICAN/00000017517

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in thousands of US dollars unless otherwise stated)

			Attributable to equity holders of the Company		Total	Non-controlling interests	Total equity
	Note	Share capital and premium	Retained earnings /(accumulated deficit)	Other reserves			
At 31 December 2017		**2,113,957**	**216,142**	**(449,355)**	**1,880,744**	**291,339**	**2,172,083**
IFRS 9 day 1 adjustment		–	(278,503)	–	(278,503)	(20,797)	(299,300)
Restated opening balance 1 January 2018		**2,113,957**	**(62,361)**	**(449,355)**	**1,602,241**	**270,542**	**1,872,783**
Net changes in debt instruments, net of taxes	41	–	–	(65,265)	(65,265)	(8,002)	(73,267)
Net changes in equity instruments, net of taxes	41	–	–	348	348	–	348
Foreign currency translation differences	41	–	–	(258,408)	(258,408)	(36,953)	(295,361)
Remeasurements of post-employment benefit obligations	41	–	–	1,374	1,374	–	1,374
Net losses on revaluation of property	41	–	–	(4,985)	(4,985)	–	(4,985)
Other comprehensive loss for the year		–	–	(326,936)	(326,936)	(44,955)	(371,891)
Restated profit for the year		–	182,178	–	182,178	67,002	249,180
Total comprehensive loss for the year		**–**	**182,178**	**(326,936)**	**(144,758)**	**22,047**	**(122,711)**
Transfer to other Group reserves	41	–	(12,591)	12,591	–	–	–
Dividend relating to 2017	41	–	–	–	–	(17,050)	(17,050)
Change in minority interest	41	–	–	–	–	–	–
Transfer from share option reserve	41	–	(219)	219	–	–	–
Transfer to general banking reserves	41	–	124,262	(124,262)	–	–	–
Transfer to statutory reserve		–	(45,376)	45,376	–	–	–
At 31 December 2018 (restated)		**2,113,957**	**185,893**	**(842,367)**	**1,457,483**	**275,539**	**1,733,022**
Opening balance 1 January 2019 (restated)		**2,113,957**	**185,893**	**(842,367)**	**1,457,483**	**275,539**	**1,733,022**
Net changes in debt instruments, net of taxes	41		–	59,199	59,199	5,257	64,456
Net changes in equity instruments, net of taxes	41		–	(184)	(184)	–	(184)
Foreign currency translation differences	41		–	(243,219)	(243,219)	–	(243,219)
Impact of adopting IAS 29 at 1 January 2019	41		–	(35,542)	(35,542)	–	(35,542)
Remeasurements of post-employment benefit obligations	41		–	902	902	–	902
Net gains on revaluation of property	41			10,315	10,925	1,826	12,141
Other comprehensive loss for the year				(208,529)	(208,529)	7,083	(201,446)
Profit for the year			193,958		193,958	80,976	274,934
Total comprehensive income for the year		**–**	**193,958**	**(208,529)**	**(14,571)**	**88,059**	**73,488**
Transfer to other Group reserves				36,382	36,382		36,382
Dividend relating to 2018	41		–	–	–	(19,476)	(19,476)
Change in minority interest			–	–	–	64,962	64,962
Transfer to share option reserve	41		–	94	94	–	94
Convertible bond - equity component	41		–	(2,695)	(2,695)	–	(2,695)
Transfer from general banking reserves	41		(28,124)	28,124	–	–	–
Transfer to statutory reserve	41		(106,164)	106,164	–	–	–
At 31 December 2019		**2,113,957**	**245,563**	**(882,827)**	**1,476,693**	**409,084**	**1,885,777**

The accompanying notes are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in thousands of US dollars unless otherwise stated)

For the year ended 31 December	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		405,079	356,508
Adjustments for:			
Foreign exchange income		(42,924)	(46,917)
Net investment security (gain)/loss	10	(6,879)	14
Fair value loss on investment properties	11	–	1,077
Impairment losses on loans and advances	13	109,915	319,470
Impairment losses on other financial assets	14	23,642	23,914
Depreciation of property and equipment	12	88,144	77,541
Net interest income		(749,729)	(929,760)
Amortisation of software and other intangibles	12	20,360	19,903
Profit on sale of property and equipment		(1,279)	(63)
Share of post-tax results of associates	26	776	2,512
Income taxes paid		(123,782)	(118,862)
Changes in operating assets and liabilities			
• Trading financial assets		(60,379)	(85,726)
• Derivative financial instruments		(15,545)	(10,647)
• Treasury bills and other eligible bills		180,562	(51,142)
• Loans and advances to banks		(100,064)	84,298
• Loans and advances to customers		(26,449)	(105,569)
• Pledged assets		(111,044)	58,127
• Other assets		(445,602)	(7,782)
• Mandatory reserve deposits with central banks		(135,505)	60,386
• Other deposits from banks		1,204,157	(500,781)
• Deposits from customers		310,121	732,728
• Derivative liabilities		21,348	(2,590)
• Provisions		15,503	529
• Other liabilities		(150,587)	(214,351)
Interest received		1,411,998	1,528,410
Interest paid		(662,269)	(598,650)
Net cash flow from operating activities		**1,159,568**	**592,577**
Cash flows from investing activities			
Purchase of software	27	(58,369)	(21,471)
Purchase of property and equipment	28	(406,367)	(200,945)
Proceeds from sale of property and equipment		292,304	222,163
Purchase of investment securities	23	(2,911,125)	(1,684,041)
Purchase of investment properties		(4,222)	(10,481)
Disposal of investment properties		12,047	22,604
Proceeds from sale and redemption of investment securities		2,570,480	1,314,559
Net cash flow used in investing activities		**(505,252)**	**(357,612)**
Cash flows from financing activities			
Repayment of borrowed funds	34	(671,050)	(110,022)
Proceeds from borrowed funds	34	561,252	440,958
Payment of lease liabilities		125,107	–
Dividends paid to non-controlling shareholders		(19,476)	(17,050)
Net cashflow (used)/from financing activities		**(4,167)**	**313,886**
Net increase in cash and cash equivalents		**650,149**	**548,851**
Cash and cash equivalents at start of year	42	2,141,855	1,965,611
Effects of exchange differences on cash and cash equivalents		(232,238)	(372,607)
Cash and cash equivalents at end of year	**42**	**2,559,766**	**2,141,855**

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

1 General information

Ecobank Transnational Incorporated (ETI) and its subsidiaries (together, 'the Group') provide retail, corporate and investment banking services throughout sub-Saharan Africa outside South Africa. The Group had operations in 40 countries and employed 14,878 people as at 31 December 2019 (31 December 2018: 16,386).

Ecobank Transnational Incorporated is a limited liability company and is incorporated and domiciled in the Republic of Togo. The address of its registered office is as follows: 2365 Boulevard du Mono, Lomé, Togo. The company has a primary listing on the Ghana Stock Exchange, the Nigerian Stock Exchange and the Bourse Regionale Des Valeurs Mobilieres (Abidjan) Côte D'Ivoire.

The consolidated financial statements for the year ended 31 December 2019 have been approved by the Board of Directors on 28 February 2020.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed elsewhere. These policies have been consistently applied to all the periods presented, unless otherwise stated. The notes also highlight new standards and interpretations issued at the time of preparation of the consolidated financial statements and their potential impact on the Group. The financial statements are for the Group consisting of Ecobank Transnational Incorporated and its subsidiaries.

2.1 Basis of presentation and measurement

The Group's consolidated financial statements for the year ended 31 December 2019 (the Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention, except for the following:

- fair value through other comprehensive income and fair value through profit and loss, financial assets and financial liabilities (including derivative instruments) and investment properties measured at fair value;
- assets held for sale – measured at fair value less cost of disposal; and
- the liability for defined benefit obligations recognised at the present value of the defined benefit obligation less the fair value of the plan assets and plan assets measured at fair value.

The consolidated financial statements are presented in US dollars, which is the group's presentation currency. The figures shown in the consolidated financial statements are stated in US dollar thousands.

The consolidated financial statements comprise the consolidated statement of comprehensive income (shown as two statements), the statement of financial position, the statement of changes in equity, the statement of cash flows and the accompanying notes.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. Included in cash and cash equivalents are highly liquid investments.

The cash flows from operating activities are determined by using the indirect method. The Group's assignment of the cash flows to operating, investing and financing category depends on the Group's business model.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Directors to exercise judgment in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

2.2 (a) New and amended standards adopted by the Group

In the current period, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. These include:

(i) IFRS 16 leases

The International Accounting Standards Board (IASB) published a new accounting standard on leases namely International Financial Reporting Standard (IFRS) 16. IFRS 16 was effective 1 January 2019 and replaced International Accounting Standard (IAS) 17 on Leases. IFRS 16 is envisaged to improve the quality of financial reporting for companies with material off-balance sheet leases.

Under IFRS 16, the accounting treatment of leases by lessees has fundamentally changed. IFRS 16 eliminates the previous dual accounting model for lessees, which distinguished between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. For lessees, the lease becomes an on-balance sheet liability that attracts interest, together with a new asset (right of use (ROU)) on the other side of the balance sheet.

Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

The Group adopted IFRS 16 effective 1 January 2019. The Group had to change its accounting policies as a result of adopting IFRS 16 *Leases*. Refer to Change in accounting policy below.

(ii) Amendment to IAS 19 employee benefits

The amendment relates to defined benefit plan changes, such as plan amendment, curtailment and settlement. The standard already required that in each of these changes, the company should remeasure its defined benefit plan liability. However, the IAS 19 update prescribes that the company must use the same assumptions for calculating its current service cost and the net interest for the period after the change as it had used for the remeasurement itself (no original assumptions). The IAS 19 update also clarified the impact of plan changes (amendment, curtailment or settlement) on asset ceiling. The impact on the Group is not significant.

(iii) Amendment to IAS 23 borrowing costs

The amendment to IAS 23 clarified that if any specific borrowing remains outstanding after the related asset is ready, then this borrowing becomes a part of general borrowings. This means that in calculating the capitalisation rate on general borrowings, companies should take into account specific borrowing on completed asset (if outstanding). The impact on the Group is not significant.

(iv) Amendment to IAS 12 income taxes

The amendment to IAS 12 *Income Taxes* provides clarification on the recognition and measurement of current and deferred taxes on dividends. The impact on the Group is not significant.

(v) Amendments to IFRS 3 business combinations and IFRS 11 joint operations

Both amendments are closely related and deal with the changes in a group composition. More specifically, if an entity obtains control of another entity that was a joint operation (i.e. joint operation becomes subsidiary), then the parent is required to remeasure previously held interest in the subsidiary. If an entity obtains joint control of another entity that is a joint operation, then the investor is not required to remeasure previously held interest in the joint operation. The impact on the Group is not significant.

2.2 (b) Change in accounting policy

This note explains the impact of the adoption of IFRS 16 *Leases* on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adoption of IFRS 16 by the Group

The Group adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the modified retrospective transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The impact to the Group has been a growth in the Group's sheet as a result of the recognition on balance sheet of the previously unrecognised lease liability as well as the ROU. There has also been a change to both the expense character (rent expenses replaced with depreciation and interest expense) and recognition pattern (acceleration of lease expense relative to the recognition pattern for operating leases today). Both the changes to the balance sheet as well as the ones to the income statement are not material to the Group.

For leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*, on adoption, the Group recognised a ROU (the present value of the lease payments due) arising from existing leases as at 1 January 2019 at $70.017 million (or 0.31% of the Group's assets). The Group also recognised lease liability (a financial liability representing its obligation to make future lease) as it is anticipated the contractual lease payments will be made over time. These liabilities were measured at the present value of the remaining lease payments, discounted using the respective affiliate's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.85%. These liabilities amounted to $70.017 million (or 0.34% of the Group's liabilities).

On adoption, the Group elected to apply the following key decisions:

$000	31 Dec 2018	Re-measurement	1 Jan 2019
Assets			
Property and equipment	827,165	70,017	897,182
Total assets	22,502,727	70,017	22,572,744
Liabilities			
Borrowings	2,059,690	70,017	2,129.707
Total liabilities	20,769,705	70,017	20,839,722

- There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.
- For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.
- In applying IFRS 16 for the first time, the Group has used the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

following practical expedients and exemptions permitted by the standard:

a) Transition approach: The Group elected to use the modified retrospective approach as provided for in the standard. Under this approach, the right-of-use asset is recognised at the date of initial application (1 January 2019) at an amount equal to the lease liability (determined based on the remaining payments) adjusted for any accrued or prepaid amounts recognised under IAS 17. Comparative figures are not restated and as result no impact on equity was recorded at the date of initial application.

b) Lease definition on transition: The Group applied the practical expedient to 'grandfather' previous assessment of which existing contracts are, or contain, leases. In doing this, IFRS 16 was applied to leases previously identified in accordance with IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a lease*. Additionally, the IFRS 16 definition of a lease is applied to assess whether contracts entered into after the date of initial application of the new standard are, or contain, leases.

c) Recognition exemptions: On transition and subsequently, the Group has elected to apply the two recognition exemptions provided for under the standard. These are the short-term lease exemption and the low-value items exemptions. The election for short-term leases is made by class of underlying asset, whereas the election for leases of low-value assets is made on a lease-by-lease basis. Additionally, the Group also chose to apply the additional practical expedient for leases with a remaining term of 12 months or less on transition date.

d) Discount rate: The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

e) Onerous leases: Reliance on previous assessments on whether leases are onerous.

f) Indirect costs: The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

g) Extensions and terminations: The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.3 New and amended standards/ interpretation issued not yet adopted by the Group

The following standards have been issued or amended by the IASB but are yet to become effective for annual periods beginning on or after 1 January 2019:

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts ('IFRS 17') was issued in May 2017 and applies to annual reporting periods beginning on or after 1 January 2021. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* ('IFRS 4') as of 1 January 2021.

The impact of this standard is not material to the Group.

2.4 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in United States dollars, which is the Group's presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the official exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as fair value through other comprehensive income (FVTOCI) are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as FVTOCI, are included in other comprehensive income.

c) Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

ii) Income and expenses for each income statement are translated at average exchange rates; (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'Foreign currency translation differences'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to 'other comprehensive income'. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

d) Classification of Zimbabwe as a hyper-inflationary economy

IAS 29 *Financial Reporting in Hyperinflationary Economies* requires that the financial statements of entities whose functional currency is that of a hyperinflationary economy to be adjusted for the effects of changes in a suitable general price index and to be expressed in terms of the current unit of measurement at the closing date of the reporting period. Accordingly, the inflation produced from the date of acquisition or from the revaluation date, as applicable, must be computed in the non-monetary items.

The Zimbabwe economy was designated as hyperinflationary from 1 July 2019. As a result, application of IAS 29 *Financial Reporting in Hyperinflationary Economies* has been extended to all Ecobank entities whose functional currency is the Zimbabwe dollar (Zim$).

IAS 29 requires that adjustments are applicable from the start of the relevant entity's reporting period. For Ecobank that is from 1 January 2019. The application of IAS 29 includes:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the income statement for inflation during the reporting period;
- The income statement is translated at the period end foreign exchange rate instead of an average rate; and
- Adjustment of the income statement to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

The main effects on the Group consolidated financial statements for 2019 are:

- Total assets decreased by $5.2 million driven by non-monetary assets;
- Opening retained profit decreased by $35.5 million reflecting the impact of adjusting the historical cost of non-monetary assets and liabilities from the date of their initial recognition to 1 January 2019 for the effect of inflation;
- Net revenue is reduced by $18.2 million;
- Operating profit is reduced by $25.8 million; and
- A net monetary loss of $9.5 million is recognised from the inflation and exchange rate movements in the year on the net monetary items held in Zimbabwean dollars.

The comparative figures in these consolidated financial statements presented in a stable currency are not adjusted for subsequent changes in the price level or exchange rates. This resulted in an initial difference, arising on the adoption of hyperinflation accounting, between the closing equity of the previous year and the opening equity of the current year. The company recognised this initial difference directly in other comprehensive income.

2.5 Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2.6 Determination of fair value

Fair value under IFRS 13 *Fair Value Measurement* ('IFRS 13') is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial

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liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on exchanges (for example, NSE, BVRM, GSE) and quotes from approved bond market makers.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer or broker, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

The Group uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market observable.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Group holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, and related controls and procedures applied, Management believes that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value in the consolidated statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques and option pricing models. The fair value of foreign exchange forwards is generally based on current forward exchange rates. Structured interest rate derivatives are measured using appropriate option pricing models (for example, the Black-Scholes model) or other procedures such as Monte Carlo simulation.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

2.7 Fees and commissions income

The Group adopted IFRS 15 from 1 January 2018. Adoption of the standard has had no effect on financial information reported in the current or comparative periods. The Group applies IFRS 15 to all revenue arising from contracts with clients, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The Group recognises revenues to depict the transfer of promised service to customers in an amount that reflects the consideration the Group expects to be entitled in exchange for the service. Fees and commissions are generally recognised on an accrual basis when the service has been provided and considering the stage of completion. Fees charged for servicing a loan are recognised in revenue as the service is provided, which in most instances occurs monthly when the fees are levied. Loan syndication fees are recognised as part of fees and commissions income when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. This is especially so in most instances for the Group where the nature of the service provided is such that the client benefits as the services are provided. Where this is not the case and where the nature of the service provided is such that the customer only benefits on completion, such fees are recognised at a point in time and usually when control transfers. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Asset management fees related to investment funds are recognised over the period in which the service is provided. Initial fees that exceed the level of recurring fees and relate to the future provision of services are deferred and amortised over the projected period over which services will be provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan under interest income.

2.8 Dividend income

Dividends are recognised in the consolidated income statement in 'Dividend income' when the entity's right to receive payment is established, which is generally when the shareholders approve the dividend.

2.9 Net gains on trading financial assets

Net trading income comprises gains less losses related to trading assets and liabilities, and it includes all fair value changes, dividends and foreign exchange differences.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash flows from other assets or group of assets (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Share-based payments

The Group engages in equity settled share-based payment transactions in respect of services received from certain categories of its employees. The fair value of the services received is measured by reference to the fair value of the shares or share options granted on the date of the grant. The cost of the employee services received in respect of the shares or share options granted is recognised in the consolidated income statement over the period that the services are received, which is the vesting period.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Except for those which include terms related to market conditions, vesting conditions included in the terms of the grant are not taken into account in estimating fair value.

Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately, the amount recognised in the consolidated income statement reflects the number of vested shares or share options.

2.12 Cash and cash equivalents

For purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.13 Repossessed collateral

Repossessed collateral are equities, landed properties or other investments repossessed from customers and used to settle the outstanding obligations. Such investments and other assets are classified in accordance with the intention of the Group in the asset class to which they belong. Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in 'other assets' as inventory, as it is held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the Group. The corresponding loans are derecognised when the Group becomes the holder of the title deed. The properties acquired are initially recorded at cost, which is the lower of their fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange. They are subsequently measured at the lower of the carrying amount or net realisable value. No depreciation is charged in respect of these properties. Any subsequent write-down of the acquired properties to net realisable value is recognised in the statement of comprehensive income, in 'Other impairments'. Any subsequent increase in net realisable value, to the extent that it does not exceed the cumulative write-down, is also recognised in 'Other impairments'. Gains or losses on disposal of repossessed properties are reported in 'Other operating income' or 'Operating expenses', as the case may be.

2.14 Leases

The Group leases various offices, branches, houses, ATM locations, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 65 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost.

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The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the affiliate's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment, copiers and other small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

2.15 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group, are classified as investment properties. Investment properties comprise office buildings and Commercial Bank parks leased out under operating lease agreements.

Some properties may be partially occupied by the Group, with the remainder being held for rental income or capital appreciation. If that part of the property occupied by the Group can be sold separately, the Group accounts for the portions separately. The portion that is owner-occupied is accounted for under IAS 16, and the portion that is held for rental income or capital appreciation or both is treated as investment property under IAS 40. When the portions cannot be sold separately, the whole property is treated as investment property only, if an insignificant portion is owner-occupied.

Recognition of investment properties takes place only when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. This is usually the day when all risks are transferred. Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time the cost has been incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the date of the consolidated statement of financial position. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the year in which they arise. Subsequent expenditure is included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

The fair value of investment properties is based on the nature, location and condition of the specific asset. The fair value is calculated by discounting the expected net rentals at a rate that reflects the current market conditions as of the valuation date adjusted, if necessary, for any difference in

the nature, location or condition of the specific asset. The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure. These valuations are performed annually by external appraisers.

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the income statement.

2.16 Property and equipment

Items of property and equipment are initially recognised at cost if it is probable that any future economic benefits associated with the items will flow to the Group and they have a cost that can be measured reliably. Subsequent expenditure is capitalised to the carrying amount of items of property and equipment if it is measurable and it is probable that it increases the future economic benefits associated with the asset. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repair and maintenance costs are charged to other operating expenses during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices and are measured using the revaluation model. All other property and equipment used by the Group is stated at historical cost less depreciation. Subsequent to initial recognition, motor vehicles, furniture and equipment, installations and computer equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings, the fair values of which can be reliably measured, are carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be credited directly to other comprehensive income. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset. For assets revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Land and buildings are the class of items that are revalued on a regular basis. The other items are evaluated at cost.

An independent valuation of the Group's land and buildings was performed by professionally qualified independent valuers to determine the fair value of the land and buildings as at year end. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserve – property and equipment' in shareholders equity (Note 40). Fair value is derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For these appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Buildings	25 - 50 years
• Leasehold improvements	25 years, or over the period of the lease if less than 25 years
• Furnitures, equipment installations	3 - 5 years
• Motor vehicles	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Assets are subject to review for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

2.17 Intangible assets

a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of

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associates is included in investments in associates.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstance indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill. Impairment losses on goodwill are not reversed.

b) Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense incurred. Development costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives (not exceeding three years).

2.18 Income tax

a) Current income tax

Income tax payable (receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense (income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income or to equity (for example, current tax on debt instruments at FVOCI).

Where the Group has tax losses that can be relieved against a tax liability for a previous year, it recognises those losses as an asset, because the tax relief is recoverable by refund of tax previously paid. This asset is offset against an existing current tax balance. Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the consolidated statement of financial position. The Group does not offset income tax liabilities and current income tax assets.

b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and liabilities, provisions for pensions and other post-retirement benefits and carry-forwards; and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base, fair value changes on investment securities (available for sale financial assets under IAS 39), tax loss carried forward, revaluation on property and equipment. Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value re-measurement of investment securities (available for sale financial assets under IAS 39), which are recognised in other comprehensive income, is also recognised in the other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

2.19 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Employee benefits

a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

b) Other post-retirement obligations

The Group also provides gratuity benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

d) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

e) Short term benefits

The Group seeks to ensure that the compensation arrangements for its employees are fair and provide adequate

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protection for current and retiring employees. Employee benefits are determined based on individual level and performance within defined salary bands for each employee grade. Individual position and job responsibilities will also be considered in determining employee benefits. Employees will be provided adequate medical benefits and insurance protection against disability and other unforeseen situations. Employees shall be provided with retirement benefits in accordance with the Separation and Termination policies. Details of employee benefits are available from Group or Country Human Resources.

2.21 Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contracts is discharged, cancelled or expired. The difference between the carrying amount of financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement as other operating income.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.22 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.23 Fiduciary activities

Group companies commonly act as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. An assessment of control has been performed and this does not result in control for the Group. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

2.24 Share capital

a) Share issue costs

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, or to the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by Ecobank Transnational Incorporated's shareholders. Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

c) Treasury shares

Where the company purchases its equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

2.25 Segment reporting

The Group's segmental reporting is in accordance with IFRS 8 *Operating Segments* ("IFRS 8"). Operating segments are reported in a manner consistent with the internal reporting provided to the Group Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments and has been identified by the Group as the Chief Operating Decision Maker (CODM).

All transactions between business segments are conducted on an arm´s length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

In accordance with IFRS 8, the Group has the following business segments: Corporate and Investment Bank, Commercial Bank and Consumer Bank.

2.26 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell. Any impairment loss on a disposal group is first allocated to reduce goodwill and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets, investment properties, insurance assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss until finally sold. Property, equipment and intangible assets, once classified as held for sale, are not depreciated or amortised.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interests in its former subsidiary after the sale.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

2.27 Discontinued operations:

As discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operation, is part of single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The Group presents discontinued operations in a separate line in the income statement.

Net profit from discontinued operations includes the net total of operating profit and loss before tax from operations, including net gain or loss on sale before tax or measurement to fair value less costs to sell and discontinued operations tax expense. A component of an entity comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group´s operations and cash flows. If an entity or a component of an entity is classified as a discontinued operation, the Group restates prior periods in the Income statement.

2.28 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

Where IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* applies, comparative figures have been adjusted to conform with changes in presentation in the current year.

2.29 Financial assets and liabilities

2.29.1 Financial assets – Classification and Measurement Policies applicable from 1 January 2018

Financial assets are measured at initial recognition at fair value, and are classified and subsequently measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost based on our business model for managing the financial instruments and the contractual cash flow characteristics of the instrument. For non-revolving facilities, origination date is the date the facility is disbursed while origination date for revolving facilities is the date the line is availed. Regular-way purchases and sales of financial assets are recognised on the settlement date. All other financial assets and liabilities, including derivatives, are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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a) A financial asset is measured at amortised cost if it meets both of the following conditions:

(i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, debt instruments in this category are carried at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate. Impairment on financial assets measured at amortised cost is calculated using the expected credit loss approach. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest income from these financial assets is included in 'Interest and similar income' using the effective interest rate method.

b) A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

(i) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset; and

(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments are those instruments that meet the definition of a financial liability from the holder's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse. Movements in the carrying amount of these assets are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Losses/Income from investment securities'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

c) A debt instrument is measured at FVTPL

Debt instruments measured at FVTPL include assets held for trading purposes, assets held as part of a portfolio managed on a fair value basis and assets whose cash flows do not represent payments that are solely payments of principal and interest. Financial assets may also be designated at FVTPL if by so doing eliminates or significantly reduces an accounting mismatch which would otherwise arise. These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognised immediately in the Consolidated Income Statement as part of Net trading income. Realised and unrealised gains and losses are recognised as part of Net trading income in the Consolidated Income Statement.

d) Equity instruments

Equity instruments are instruments that meet the definition of equity from the holder's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Equity instruments are measured at FVTPL. However, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect for strategic or long term investment reasons to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. On adoption of the standard, the Group did designate some of it equity instruments as FVTOCI. Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the Consolidated Income Statement. For equity instruments measured at FVTPL, changes in fair value are recognised in the Consolidated Income Statement. Dividends received are recorded in Interest income in the Consolidated Income Statement. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the Consolidated Income Statement on sale of the security (this only apply for equity instruments measured at FVTOCI).

e) Business model assessment

Business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example the liquidity portfolio of assets, which is held by Ecobank Ghana (subsidiary of the Group) as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading

are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVTPL. The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Other factors considered in the determination of the business model include:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group may decide to sell financial instruments held with the objective to collect contractual cash flows without necessarily changing its business model if one or more of the following conditions are met:

(i) When the Group sells financial assets to reduce credit risk or losses because of an increase in the assets' credit risk. The Group considers sale of financial assets that may occur in assets held with the sole objective of collecting cashflows to be infrequent if the sales is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

(ii) Where these sales are infrequent even if significant in value. A sale of financial assets is considered infrequent if the sale is one-off during the financial year and/or occurs at most once during the quarter or at most three (3) times within the financial year.

(iii) Where these sales are insignificant in value both individually and in aggregate, even if frequent. A sale is considered insignificant if the portion of the financial assets sold is equal to or less than five (5) per cent of the carrying amount (book value) of the total assets within the business model.

(iv) When these sales are made close to the maturity of the financial assets and the proceeds from the sales approximates the collection of the remaining contractual cash flows. A sale is considered to be close to maturity if the financial assets has a tenor to maturity of not more than one (1) year and/or the difference between the remaining contractual cash flows expected from the financial asset does not exceed the cash flows from the sales by ten (10) per cent.

Other reasons: The following reasons outlined below may constitute 'Other Reasons' that may necessitate selling financial assets from the portfolio held with the sole objective of collecting cashflows category that will not constitute a change in business model:

- Selling the financial asset to realise cash to deal with unforeseen need for liquidity (infrequent).
- Selling the financial asset to manage credit concentration risk (infrequent).
- Selling the financial assets as a result of changes in tax laws or due to a regulatory requirement e.g. comply with liquidity requirements (infrequent).
- Other situations also depends upon the facts and circumstances which need to be judged by the management.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

f) Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Principal may change over the life of the instruments due to repayments. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows

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such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. nonrecourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

2.29.2 Financial liabilities - policy applicable from 1 January 2018

The accounting for financial liabilities remains largely unchanged, except for financial liabilities designated at fair value through profit or loss (FVTPL). Gains and losses on such financial liabilities are now required to be presented in other comprehensive income (OCI), to the extent that they relate to changes in own credit risk. The Group did not hold any such assets at year end.

Derivative liabilities are classified as at FVTPL and are measured at fair value with the gains and losses arising from changes in their fair value included in the consolidated income statement and are reported as 'Net trading income'. These financial instruments are recognised in the consolidated statement of financial position as 'Derivative financial instruments'.

Financial liabilities that are not classified as at fair value through profit or loss are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks and customers, other deposits, financial liabilities in other liabilities, borrowed funds for which the fair value option is not applied, convertible bonds and subordinated debts.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL, together with lease receivables loan commitments and financial guarantee contracts. No impairment loss is recognised on equity investments.

The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

Loss allowances for lease receivables are always measured at an amount equal to lifetime. The Group generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Expected credit loss impairment model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either over the following twelve months or over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The Group adopts a three-stage approach for impairment assessment based on changes in credit quality since initial recognition:

(i) Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

(ii) Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

(iii) Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

The guiding principle for ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments since initial recognition. The ECL allowance is based on credit losses expected to arise over

the life of the asset (lifetime expected credit loss), unless there has been no significant increase in credit risk since origination.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques.

a) Measurement

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

b) Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; or
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

c) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVTOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in debt securities is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The issuer's ability to access the capital markets for new debt issuance; and
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

d) Presentation of allowance for ECL in the statement of financial position

Loan allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVTOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value.

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However, the loss allowance is disclosed and is recognised in the fair value reserve in Consolidated Statement of Comprehensive Income.

e) Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. The average write-off period is between 1 year. However, in some cases this might be constrained by existing legal or regulatory requirements and thus could take much longer than the stated year. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

f) Definition of default

The Group considers a financial asset to be in default which is fully aligned with the credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance;
- The borrower is deceased;
- The borrower is insolvent;
- The borrower is in breach of financial covenant(s);
- An active market for that financial asset has disappeared because of financial difficulties;
- Concessions have been made by the lender relating to the borrower's financial difficulty;
- It is becoming probable that the borrower will enter bankruptcy; or
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

g) Explanation of inputs, assumptions and estimation techniques: Exposure at Default (EAD), Probability of Default (PD) and Loss Given Default (LGD)

ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the PD, EAD and LGD, defined as follows:

(i) The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default" (2.29.6f above) and "Credit-impaired financial assets" (2.29.6c above)), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. This 12M PD is used to calculate 12-month ECLs. The Lifetime PD is used to calculate lifetime ECLs for stage 2 and 3 exposures.

(ii) EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Group includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.

(iii) Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is

based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

(i) For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.

(ii) For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data. The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type:

(i) For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

(ii) For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and price.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on a semi-annual basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

h) Significant increase in credit risk (SICR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk (SICR) for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors. The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgment, delinquency and monitoring. Forward looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on factors such as the type of product, industry, borrower, geographical region etc.

The Group adopts a multi-factor approach in assessing changes in credit risk. This approach considers: quantitative, qualitative and backstop indicators which are critical in allocating financial assets into stages. The quantitative models consider deterioration in the credit rating of obligor/counterparty based on the Group's internal rating system or external ratings while qualitative factors consider information such as expected forbearance, restructuring, exposure classification by licensed credit bureau etc. A backstop is typically used to ensure that in the (unlikely) event that the quantitative indicators do not change and there is no trigger from the qualitative indicators, an account that has breached the 30 days past due criteria for SICR and 90 days past due criteria for default is transferred to stage 2 or stage 3 as the case may be except where there is reasonable and supportable evidence available without undue cost to rebut the presumption.

i) Forward-looking information incorporated in the ECL models

The assessment of Expected Credit Losses incorporates the use of forward-looking information. The Group has identified the key economic variables impacting its credit risk and expected credit losses and performed historical analysis to determine the significance and impact of these economic variables on its credit risk and expected credit losses. Significant economic variables and the impact of these variables on credit losses vary by clusters and affiliates within the Group. The key drivers for credit risk for the Group are: commodity prices, oil export, foreign exchange rates and prime lending rate. The impact of these economic variables on the expected credit losses has been determined by performing principal component analysis to understand the significant variables and estimate the impact that changes in these variables have had historically on default rates and on the components of expected credit losses.

Forecasts of these economic variables (the "base economic scenario") are provided by Ecobank Group's Economics team (as well as from other credible external sources such as Business Monitor International (BMI), International Monetary Fund (IMF), World Bank, respective Central Banks etc.) on a quarterly basis and provide the best estimate view of the economy over the next five years. After five years, to project the economic variables out for the full remaining lifetime of each instrument, the forecast for the fifth year is held constant to reduce the impact of estimation uncertainty in the long run. The impact of these economic variables on

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the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

In addition to the base economic scenario, the Group's Economics team also provide other possible scenarios along with scenario weightings. The number of scenarios used is set based on the analysis of each major product type to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, the Group concluded that three scenarios appropriately captured non-linearities. The scenario weightings are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario represents. The Group measures expected credit losses as a probability weighted expected credit losses. These probability-weighted expected credit losses are determined by running each of the scenarios through the relevant expected credit loss model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs). For the current reporting dates, the weighting attached to the Base case, Optimistic and Downturn scenarios were 55%, 25% and 20% respectively.

The assessment of SICR is performed using the changes in credit risk rating (as a proxy for lifetime PD) along with qualitative and backstop indicators. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12-month or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3).

As with any economic forecasts, the projections and likelihood of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may significantly differ from those projected. The Group considers these forecasts to represent its best estimate of possible outcomes and has analysed the non-linearities and asymmetry within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of scenarios.

The economic scenarios used as at 31 December 2019 included the following key indicators for the years ended 31 December 2019 to 2020.

	2019	2020
Nigeria oil exports		
Base	1.96m b/day	1.83m b/day
Upside	2.02m b/day	2.18m b/day
Downside	1.70m b/day	0.85m b/day
Prime lending rate		
Base	17.51	17.05
Upside	17.07	16.94
Downside	17.51	19.36
UEMOA/CESA Commodity price index		
Base	428.53	17.05
Upside	614.08	16.94
Downside	242.98	19.36
AWA Prime lending rate		
Base	18.13	17.99
Upside	12.41	9.85
Downside	26.71	32.92
Average exchange rate		
Base	5.19	5.56
Upside	4.63	4.64
Downside	5.75	6.49

j) Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) we have the contractual ability to demand repayment and cancel the undrawn commitment; and (c) our exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Products in scope of this exemption include credit cards, overdraft balances and certain revolving lines of credit. Judgment is required in determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices.

2.29.3 Interest income – policy applicable from 1 January 2018

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the consolidated income statement using the effective interest method. The Group calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired (as set out in

Summary of forward-looking information and associated sensitivity:

		Aggregate Impairment					
		Nigeria	UEMOA	AWA	CESA	ETI and Others	Total
Gross Loans		2,504,008	3,848,433	1,376,147	1,699,369	405,701	9,833,658
Impairment		(278,602)	(79,493)	(86,137)	(152,111)	39,293	(557,050)
Commodity Price Index	5% Increase	(278,602)	(79,653)	(86,137)	(152,418)	39,292	(557,518)
	5% Decrease	(278,602)	(79,334)	(86,137)	(151,807)	39,292	(556,587)
Oil Exports	5% Increase	(372,543)	(79,493)	(86,137)	(152,111)	39,292	(650,992)
	5% Decrease	(279,275)	(79,493)	(86,137)	(152,111)	39,292	(557,724)
Prime Lending Rate	5% Increase	(296,241)	(79,493)	(85,985)	(152,111)	39,292	(574,539)
	5% Decrease	(262,148)	(79,493)	(86,093)	(152,111)	39,292	(540,553)
Average Exchange Rate	5% Increase	(278,602)	(79,441)	(86,182)	(152,111)	39,292	(557,044)
	5% Decrease	(278,602)	(79,441)	(86,093)	(152,111)	39,292	(556,956)

As can be see above a 5% move in the forward looking information used in the computation of ECL would result in the impairment for the Group being lower by $11.6 million or higher by $66.0 million.

Note 2.29.5) and is, therefore, regarded as 'Stage 3', the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVTOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

For purchased or originated credit-impaired financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows to the amortised cost of the assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income.

2.29.4 Reclassification of financial assets - policy applicable from 1 January 2018

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

A change in the Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations such as:

- Significant internal restructuring or business combinations;
- Disposal of a business line i.e. disposal of a business segment; or
- Any other reason that might warrant a change in the Group's business model as determined by management based on facts and circumstances.

The following are not considered to be changes in the business model:

- A change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);

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- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the Group with different business models.

When reclassification occurs, the Group reclassifies all affected financial assets in accordance with the new business model. Reclassification is applied prospectively from the 'reclassification date'. Reclassification date is the first day of the first reporting period following the change in business model. Gains, losses or interest previously recognised are not restated when reclassification occurs.

There were no changes to any of the Group's business models during the current period.

2.29.5 Modification of financial assets - policy applicable from 1 January 2018

The Group sometimes renegotiates or otherwise modifies the terms of loans provided to customers. This may be due to commercial renegotiations, or for distressed loans, with a view to maximising recovery.

Such restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

When the contractual terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the loan is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value. Any difference between the amortised cost and the present value of the estimated future cash flows of the modified asset or consideration received on derecognition is recorded as a separate line item in profit or loss in the Other operating income item.

Quantitative criteria

A modification would lead to derecognition of existing financial asset and recognition of a new financial asset, i.e. substantial modification, if the discounted present value of the cash flows under the new terms, including any fees received net of any fees paid and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

In addition to the above, the bank shall also consider qualitative factors as detailed below.

Qualitative criteria

Scenarios where modifications will lead to derecognition of existing loan and recognition of a new loan, i.e. substantial modification, are:

- The exchange of a loan for another financial asset with substantially different contractual terms and conditions such as the restructuring of a loan to a bond; conversion of a loan to an equity instrument of the borrower.
- Roll up of interest into a single bullet payment of interest and principal at the end of the loan term.
- Conversion of a loan from one currency to another currency.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss as part of impairment charge for the year.

2.29.6 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

2.29.7 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Pledged Assets', if the transferee has the right to sell or repledge them.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

2.30 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

2.31 Offsetting financial instruments

In accordance with IAS 32, the Group reports financial assets and liabilities on a net basis on the statement of financial position only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in event of default, insolvency or bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the trading activity.

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2.32 Classes of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table below:

Financial assets

Category (as defined by IFRS9)	Class (as determined by the Group)	Note
Fair Value Through Profit or Loss (FVTPL)	Trading financial assets	18
	Derivative financial instruments	19
Amortised Cost	Cash and balances with central banks	17
	Loans and advances to banks	20
	Loans and advances to customers	21
	Other assets excluding prepayments	25
Fair Value Through Other Comprehensive Income (FVTOCI)	Treasury bills and other eligible bills	22
	Investment securities	23
	Pledged assets	24

Financial liabilities

Category (as defined by IFRS9)	Class (as determined by the Group)	Note
Financial liabilities at fair value through profit or loss	Derivative financial instruments	19
Financial liabilities at amortised cost	Deposits from banks	32
	Deposits from customers	33
	Borrowed funds	34
	Other liabilities, excluding non-financial liabilities	35

Off balance sheet financial instruments

Category (as defined by IFRS9)	Class (as determined by the Group)	Note
Loan commitments	Loan commitments	39
Guarantees, acceptances and other financial facilities	Guarantees, acceptances and other financial facilities	39

3 Critical accounting estimates, and judgments in applying accounting policies

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgments in applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty. Detailed information about each of these estimates and judgments is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

a) Impairment losses on loans and advances (applicable from 1 January 2018)

The Group reviews its loan portfolios to assess impairment at least monthly. Where impairment has been identified, an allowance for impairment is recorded. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case loss allowance is measured at an amount equal to lifetime ECL. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Group generally considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. Loss allowances on such low credit risk instrument are recognised at the equivalent of 12-month ECL.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgments are also required in applying the accounting requirements for measuring ECL, such as the expected life of the instrument, determination of significant increase in credit risk, selection of appropriate macro-economic variables and other forward-looking information etc.

(i) Determining criteria for significant increase in credit risk and choosing appropriate models and assumptions for the measurement of ECL

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. In assessing SICR, the Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has been applied in this process.

(ii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL

The scenario weightings applied in the incorporation of the forward-looking information into the calculation of ECL are determined by a combination of statistical analysis and expert credit judgment, taking account of the range of possible outcomes each chosen scenario is representative of. The forward-looking information used in ECL are based on forecasts. As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

(iii) Establishing groups of similar financial assets for the purposes of measuring ECL

In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to movement in the level of credit risk on the instrument since origination. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. Fair value is determined using valuation techniques. In these techniques, fair values are

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estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

(c) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.17. These calculations require the use of estimates. The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates. By adjusting the three main estimates (cash flows, growth rate and discount rates) by 10%, no impairment charge on goodwill will arise.

(d) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

(e) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2.29.1). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

(f) Hyper-inflationary accounting

Beginning 1 July 2019 the Group has designated Zimbabwe as a hyper-inflationary economy in accordance with IAS 29 *Financial Reporting in Hyper-Inflationary Economies*, and has therefore employed the use of the hyper-inflationary accounting to consolidate and report its Zimbabwe operating subsidiary. The determination of whether an economy is hyper-inflationary requires the Group to make certain estimates and judgments, such as assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyperinflationary accounting in accordance with IAS 29 requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of operations of the Group. The selection of price indices is based on the Group's assessment of various available price indices on the basis of reliability and relevance. Changes in any such estimates may significantly impact the carrying value of those non-monetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within the consolidated statements of loss and comprehensive loss.

5 Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. The Board of Directors provides written principles for overall financial risk management and written policies covering specific areas, such as credit risk, market risk (including foreign exchange risk, interest rate risk and equity price risk) liquidity risk and use of derivative financial instruments. Such written policies are reviewed annually by the Board of Directors and periodic reviews are undertaken to ensure that the Group's policy guidelines are complied with. Risk management is carried out by the Group Risk team under the policies approved by the Board of Directors.

The Group's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk other than those brought about by the adoption of IFRS 9 from 1 January 2018.

5.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group. Credit risk arises mainly from interbank, commercial and consumer loans and advances, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as credit derivatives (credit default swaps), financial guarantees, letters of credit, endorsements and acceptances.

The Group is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures') including non-equity trading portfolio assets and derivatives as well as settlement balances with market counterparties and reverse repurchase agreements.

Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk. The credit risk management and control are centralised in a credit risk management team which reports regularly to the Board of Directors and head of each business unit.

5.1.1 Credit quality analysis

The Group uses internal credit risk gradings that reflect its assessment of the probability of default of individual counterparties. The Group use internal rating models tailored to the various categories of counterparty. Borrower and loan specific information collected at the time of application (such as disposable income, and level of collateral for retail exposures; and turnover and industry type for wholesale exposures) is incorporated into this rating model. This is supplemented with external data such as credit bureau scoring information on individual borrowers (where available). In addition, the expected credit models enable expert judgment from the Credit Risk Officer to be incorporated into the final internal credit rating for each exposure. This allows for considerations which may not be captured as part of the other data inputs into the model.

Credit risk grading

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between an A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The following are additional considerations for each type of portfolio held by the Group:

Retail

After the date of initial recognition, for retail business, the payment behaviour of the borrower is monitored on a periodic basis to develop a behavioural score. Any other known information about the borrower which impacts their creditworthiness — such as unemployment and previous delinquency history — is also incorporated into the behavioural score. This score is mapped to a PD.

Wholesale

For wholesale business, the rating is determined at the borrower level. A relationship manager will incorporate any updated or new information/credit assessments into the credit system on an ongoing basis. In addition, the relationship manager will also update information about the creditworthiness of the borrower every year from sources such as public financial statements. This will determine the updated internal credit rating and PD.

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Investment securities

For debt securities in the Treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PD's associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency.

The Group's rating method comprises 10 rating levels. The master scale assigns each rating category a specified range of probabilities of default, which is stable over time. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projections in the light of all actually observed defaults.

The Group's internal rating scale and mapping of external ratings are set out below:

Credit rating	1	2	3	4	5	6	7	8	9	10
S&P	AAA	AA	A	BBB	BB	B	CCC	CC	C	D
Description of the grade	Investment Grade					Speculative Grade				Default
Classification	Performing									
					Watchlist					
								Substandard		
										Doubtful or Loss
Stages	Stage 1									
							Stage 2			
									Stage 3	

The ratings of the major rating agency shown in the table above are mapped to the Group's rating classes based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark our internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

The Group's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require.

5.1.2 Risk limit control and mitigation policies

The Group manages, limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries and countries. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved quarterly by the Board of Directors. The exposure to any one borrower including banks and other non-bank financial institutions is further restricted by sub-limits covering on and off-statement of financial position exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Some other specific control and mitigation measures are outlined below:

(a) Collateral

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

5.1.3 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

a) A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

b) If a SICR since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Refer below for a description of how the Group determines when a significant increase in credit risk has occurred.

c) If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Refer below for a description of how the Group defines credit-impaired and default.

d) Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Refer below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

e) A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Note 5.1.3 below includes an explanation of how the Group has incorporated this in its ECL models.

f) POCI financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Further explanation is also provided on how the Group determines appropriate groupings when ECL is measured on a collective basis.

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The following diagram summarises the impairment requirements under IFRS 9 (other than POCI financial assets):

Change in credit quality since initial recognition		
Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

5.1.4 Significant increase in credit risk

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met.

The quantitative criteria is based on either absolute or relative changes in credit quality. In both cases, the Group is expected to specify the percentage change, for either 12-month or lifetime PDs in comparison to the corresponding 12-month or lifetime PDs as calculated at origination, respectively, that would indicate a significant increase in credit risk since origination.

a) Forward transitions: credit ratings

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Notch differences between the current rating grade and initial rating grade can be indicative of significant increase in credit risks.

The Group specifies the number of notch increases that will be viewed as a significant increase in credit risk since origination. This number is specified separately for both low and high risk accounts. The split between low and high risk accounts is also specified by the Group. Assuming the account is currently classified as Stage 1, if the current credit rating increases by more notches than the specified number since origination, the account is classified as Stage 2.

In addition, if the accounts current credit rating is worse than the default credit rating indicator, also specified by the Group, the account is classified as Stage 3.

These credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data.

Wholesale exposures	Retail exposures	All exposures
Information obtained during periodic review of customer files — e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes	Internally collected data on customer behaviour — e.g. utilisation of credit card facilities	Payment record —this includes overdue status as well as a range of variables about payment ratios
Data from credit reference agencies, press articles, changes in external credit ratings	Affordability metrics	Utilisation of the granted limit
Quoted bond and credit default swap (CDS) prices for the borrower where available	External data from credit reference agencies including industry-standard credit scores	Requests for and granting of forbearance
Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities		Existing and forecast changes in business, financial and economic conditions

b) Forward transitions: days past due

Transition from Stage 1 to Stage 2 is based on the 30 days past due presumption. Transition from Stage 2 to Stage 3 is based on the 90 days past due presumption. The table below summarises the Stage classification based on the days past due.

Stage	Days Past Due
1	0 to 29
2	30 to 89
3	90+

c) Forward transitions: watchlist and restructure

The Group classifies accounts that are included on their Watchlist or have been restructured as Stage 2 if the significant driver for the account being watchlisted or restructured is due to a significant increase in credit risk.

d) Forward transitions: classification

In addition to the days past due, the Group classifies accounts as either 'Performing', 'Substandard', 'Doubtful' or 'Loss'. This classification is considered together with days past due in determining the Stage classification. The table below summarises the account classification and days past due.

Classification	Days Past Due
Performing (Current + Watchlist)	0 to 89
Substandard	90 to 179
Doubtful	180 to 364
Loss	365+

The internal rating systems described above focus more on credit-quality mapping from the inception of the lending.

"Current": relate to assets classified as "Investment Grade" (no evident weakness).

"Watchlist": relate to items for which there are evidence of a weakness in the financial or operating condition of the obligor which requires management's close attention.

"Substandard": there is a well-defined weakness in the financial or operating condition of the obligor which jeopardises the timely repayment of its obligations.

"Doubtful": there are all of the weaknesses that are normally seen in a substandard credit with the additional characteristic that these weaknesses make full repayment unlikely.

"Loss": These assets are considered uncollectible and of such little value that they should be fully written-off.

5.1.5 Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a Group are homogeneous. In performing this Grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine Groupings are outlined below:

Retail – groupings for collective measurement

- Loan to value ratio band
- Credit rating band
- Product type (e.g. Residential/Buy to Let mortgage, Overdraft, Credit Card)
- Repayment type (e.g. Repayment/Interest only).

Wholesale – groupings for collective measurement

- Collateral type
- Credit rating band

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk team.

5.1.6 Maximum exposure to credit risk

5.1.6.1 Maximum exposure to credit risk – financial instruments subject to ECL impairment

For ECL purposes, the bank's financial asset is segmented into sub-portfolios are listed below:

- Loans and advances to customers
- Loans and advances to banks
- Investment securities - Debt instruments
- Other assets
- Off balance sheet exposures.

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(All amounts in thousands of US dollars unless otherwise stated)

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets.

	Loans and advances to customers				
US$'000	31 December 2019				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	7,733,390	1,144,865	955,403	–	9,833,658
Loss allowance	(52,749)	(74,116)	(430,185)	–	(557,050)
Carrying amount	**7,680,641**	**1,070,749**	**525,218**	**–**	**9,276,608**

	Loans and advances to customers				
US$'000	31 December 2018				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	7,676,882	1,185,788	944,539	–	9,807,209
Loss allowance	(89,093)	(81,468)	(547,448)	–	(718,009)
Carrying amount	**7,587,789**	**1,104,320**	**397,091**	**–**	**9,089,200**

	Loans and advances to banks				
US$'000	31 December 2019				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	1,893,254	–	–	–	1,893,254
Loss allowance	(1,365)	–	–	–	(1,365)
Carrying amount	**1,891,889**	**–**	**–**	**–**	**1,891,889**

	Loans and advances to banks				
US$'000	31 December 2018				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	1,718,940	–	–	–	1,718,940
Loss allowance	(1,365)	–	–	–	(1,365)
Carrying amount	**1,717,575**	**–**	**–**	**–**	**1,717,575**

	Investment securities - debt instruments				
US$'000	31 December 2019				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	4,695,831	–	–	–	4,695,831
Loss allowance	(1,031)	–	–	–	(1,031)
Carrying amount	**4,694,800**	**–**	**–**	**–**	**4,694,800**

	Investment securities - debt instruments				
US$'000	31 December 2018				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	4,563,604	–	–	–	4,563,604
Loss allowance	(949)	–	–	–	(949)
Carrying amount	**4,562,655**	**–**	**–**	**–**	**4,562,655**

	Other assets				
US$'000	31 December 2019				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	1,311,133	–	–	–	1,311,133
Loss allowance	(126,363)	–	–	–	(126,363)
Carrying amount	**1,184,770**	**–**	**–**	**–**	**1,184,770**

	Other assets				
US$'000	31 December 2018				
ECL staging	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Gross carrying amount	880,302	–	–	–	880,302
Loss allowance	(141,134)	–	–	–	(141,134)
Carrying amount	**739,168**	**–**	**–**	**–**	**739,168**

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5.1.6.2 Maximum exposure to credit risk – Financial instruments not subject to ECL impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment (i.e. FVTPL):

US$'000	31 December 2019	31 December 2018
Trading assets		
• Debt securities	182,662	122,283
• Derivatives	65,459	49,914
Financial assets designated at fair value		
• Debt securities	–	–
• Loans and advances to customers	–	–

5.1.6.3 Maximum exposure to credit risk before collateral held

	Maximum exposure	
	31 December 2019	31 December 2018
Credit risk exposures relating to on-statement of financial position assets are as follows:		
Balances with central banks	2,192,427	2,140,632
Treasury bills and other eligible bills	1,632,749	1,828,251
Loans and advances to banks	1,891,889	1,717,575
Loans and advances to customers:		
CIB		
• Overdrafts	1,017,539	830,063
• Term loans	5,927,930	6,103,161
• Others	–	–
Commercial		
• Overdrafts	342,028	234,516
• Credit cards	–	–
• Term loans	989,075	984,180
• Others	–	1,652
Consumer		
• Overdrafts	5,507	19,494
• Credit cards	1,974	1,740
• Term loans	851,994	806,233
• Mortgages	140,561	105,286
Trading financial assets		
• Debt securities	182,662	122,283
Derivative financial instruments	65,459	49,914
Financial assets designated at fair value:		
Investment securities:		
• Debt securities	4,694,800	4,563,603
Pledged assets	351,478	240,434
Other assets	1,028,312	574,044
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	3,204,627	4,340,213
Loan commitments	452,255	1,221,440
	24,973,266	**25,884,714**

The above table represents a worst case scenario of credit risk exposure of the Group at 31 December 2019 and 31 December 2018, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 37% (2018: 42%) of the total maximum exposure is derived from loans and advances to banks and customers; 19% (2018: 18%) represents investments securities in debt securities.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from its loan and advances portfolio, debt securities and other assets based on the following:

- 77% (2018: 82%) of the loans and advances portfolio are considered to be neither past due nor impaired;
- 90% (2018: 67%) of loans and advances are backed by collateral; and
- Investment in debt securities are largely government securities.

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5.1.7 Collateral and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds advanced. The Group has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The Group prepares a valuation of the collateral obtained as part of the loan origination process. This assessment is reviewed periodically. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. Derivatives are also collateralised.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

A portion of the Group's financial assets originated by the mortgage business has sufficiently low 'loan to value' (LTV) ratios, which results in no loss allowance being recognised in accordance with the Group's expected credit loss model. The carrying amount of such financial assets is $106 million as at 31 December 2019.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown in note 5.1.9 (c) below.

5.1.8 Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the reporting period due to these factors:

Loans and advances to customers

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2019*	89,093	81,468	547,448	–	718,009
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Transfer from Stage 1 to Stage 2	(4,100)	4,100	–	–	–
Transfer from Stage 1 to Stage 3	–	–	–	–	–
Changes in PDs/LGDs/EADs	–	–	–	–	–
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	11,337	98,578	–	109,915
Total net P&L charge during the period	**(4,100)**	**15,437**	**98,578**	**–**	**109,915**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	(102,384)	(4,717)	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	47,351	(47,351)	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	(163,773)	–	(163,773)
Loss allowance as at 31 December 2019**	**84,993**	**41,872**	**430,185**	**–**	**557,050**
Credit commitments (current)	**–**	**–**	**–**	**–**	**–**

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Loans and advances to customers

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	52,937	129,623	650,246	–	832,806
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Transfer from Stage 1 to Stage 2	(7,956)	7,956	–	–	–
Transfer from Stage 1 to Stage 3	(41,085)	–	41,085	–	–
Changes in PDs/LGDs/EADs	(81,691)	(16,061)	406,677	–	308,925
Changes to model assumptions and methodologies	–	–	8,842	–	8,842
Modification of contractual cash flows of financial assets	–	–	1,703	–	1,703
Total net P&L charge during the period	**(130,732)**	**(8,105)**	**458,307**	**–**	**319,470**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	166,888	(40,868)	(120,414)	–	5,606
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	818	(818)	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	(439,873)	–	(439,873)
Loss allowance as at 31 December 2018*	**89,093**	**81,468**	**547,448**	**–**	**718,009**
Credit commitments (current)	**–**	**–**	**–**	**–**	**–**

*Includes loss allowance on loan commitments of $12 million.

**Includes loss allowance on loan commitments of $2 million (2018: $12 million).

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowances were as follows:

- The write-off of loans with a total gross carrying amount of $164 million (2018: $205 million) resulted in the reduction of the Stage 3 loss allowance by the same amount.

Investment securities - debt instruments

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2019	949	–	–	–	949
Movements with P&L impact					
Changes in PDs/LGDs/EADs	82	–	–	–	82
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**82**	**–**	**–**	**–**	**82**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2019	**1,031**	**–**	**–**	**–**	**1,031**

Investment securities - debt instruments

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	5,985	–	–	–	5,985
Movements with P&L impact					
Changes in PDs/LGDs/EADs	(5,036)	–	–	–	(5,036)
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–		–	–	–
Total net P&L charge during the period	**(5,036)**	**–**	**–**	**–**	**(5,036)**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**949**	**–**	**–**	**–**	**949**

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Other assets

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2019	–	141,134	–	–	141,134
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	–	23,642	–	–	23,642
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**–**	**23,642**	**–**	**–**	**23,642**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	(38,413)	–	–	(38,413)
Loss allowance as at 31 December 2019	**–**	**126,363**	**–**	**–**	**126,363**

Other assets

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	–	120,117	–	–	120,117
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	–	23,914	–	–	23,914
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**–**	**23,914**	**–**	**–**	**23,914**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	(2,897)	–	–	(2,897)
Loss allowance as at 31 December 2018	**–**	**141,134**	**–**	**–**	**141,134**

Loans and advances to banks

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2019	1,365	–	–	–	1,365
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	–	–	–	–	–
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**–**	**–**	**–**	**–**	**–**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2019	**1,365**	**–**	**–**	**–**	**1,365**

Loans and advances to banks

US$'000	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Purchased credit – impaired	Total
Loss allowance as at 1 January 2018	8,636	–	–	–	8,636
Movements with P&L impact					
New financial assets originated or purchased	–	–	–	–	–
Changes in PDs/LGDs/EADs	(7,271)	–	–	–	(7,271)
Changes to model assumptions and methodologies	–	–	–	–	–
Modification of contractual cash flows of financial assets	–	–	–	–	–
Unwind of discount(a)	–	–	–	–	–
Total net P&L charge during the period	**(7,271)**	**–**	**–**	**–**	**(7,271)**
Other movements with no P&L impact	–	–	–	–	–
FX and other movements	–	–	–	–	–
Transfer from Stage 2 to Stage 3	–	–	–	–	–
Transfer from Stage 3 to Stage 2	–	–	–	–	–
Financial assets derecognised during the period	–	–	–	–	–
Write-offs	–	–	–	–	–
Loss allowance as at 31 December 2018	**1,365**	**–**	**–**	**–**	**1,365**

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5.1.9 Loans and advances exposure by internal rating

5.1.9 (a) Loans and advances to customers by facility risk rating

Credit Rating	31 December 2019		31 December 2018	
	Loans and advances US$'000		Loans and advances US$'000	
1	216,340	2%	700,821	7%
2	39,335	0%	95,535	1%
3	373,679	4%	495,418	5%
4	344,178	4%	392,725	4%
5	1,170,205	12%	857,756	9%
6	4,562,817	46%	5,556,745	57%
7	875,196	9%	1,117,677	11%
8	1,779,892	18%	369,733	4%
9	304,843	3%	135,416	1%
10	167,172	2%	85,383	1%
	9,833,658	**100%**	**9,807,209**	**100%**

5.1.9 (b) Loans and advances to customers by internal rating

Group's rating	31 December 2019				31 December 2018			
	Loans and advances US$'000		Impairment provision US$'000		Loans and advances US$'000		Impairment provision US$'000	
1 Current	7,244,837	74%	35,826	0%	7,352,962	75%	25,388	0%
1A. Watchlist	488,553	5%	16,923	3%	323,920	3%	63,705	20%
II. Substandard	1,144,865	12%	74,116	6%	1,185,788	12%	81,468	7%
III. Doubtful	487,797	5%	247,604	51%	679,404	7%	397,695	59%
IV. Loss	467,606	4%	182,581	39%	265,135	3%	149,753	56%
	9,833,658	**100%**	**557,050**	**6%**	**9,807,209**	**100%**	**718,009**	**7%**
Credit commitments "Current"	3,656,882		2,321		5,561,653		11,890	

5.1.10 Loans and advances by status

Loans and advances are summarised as follows:	31 December 2019		31 December 2018	
	Loans and advances to banks US$'000	Loans and advances to customers US$'000	Loans and advances to banks US$'000	Loans and advances to customers US$'000
Neither past due nor impaired	1,893,254	7,733,390	1,718,940	7,676,882
Past due but not impaired	–	1,144,865	–	1,185,788
Impaired	–	955,403	–	944,539
Gross	**1,893,254**	**9,833,658**	**1,718,940**	**9,807,209**
Less: allowance for impairment	(1,365)	(557,050)	(1,365)	(718,009)
Net	**1,891,889**	**9,276,608**	**1,717,575**	**9,089,200**

Other financial assets are neither past due nor impaired except for investment securities and other assets with impairment provision in Note 23 and Note 25 respectively.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Group in the Group Credit Policy and Procedure Manual (see the Note 5.1.3 Significant increase in credit risk).

31 December 2019

	Loans and advances to customers											
	CIB			Commercial				Consumer				Total
Grades:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgages	
Current	652,029	4,755,442	–	191,160	–	771,629	–	29,605	2,028	713,326	129,618	7,244,837
Watchlist	55,596	275,417	–	26,272	–	58,783	–	1,744	–	63,540	7,201	488,553
Total	**707,625**	**5,030,859**	**–**	**217,432**	**–**	**830,412**	**–**	**31,349**	**2,028**	**776,866**	**136,819**	**7,733,390**

31 December 2018

	Loans and advances to customers											
	CIB			Commercial				Consumer				Total
Grades:	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term Loans	Others	Overdrafts	Credit cards	Term Loans	Mortgages	
Current	724,694	4,872,075	–	148,381	–	789,475	1,654	29,299	1,662	689,209	96,513	7,352,962
Watchlist	20,515	199,848	–	12,201	–	55,383	–	3,687	–	23,966	8,320	323,920
Total	**745,209**	**5,071,923**	**–**	**160,582**	**–**	**844,858**	**1,654**	**32,986**	**1,662**	**713,175**	**104,833**	**7,676,882**

All loans and advances to banks are neither past due nor impaired and all fall under the 'current' grade.

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(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class of customers that were past due but not impaired were as follows:

31 December 2019

	CIB			Commercial				Consumer				Total
Past due:	**Overdrafts**	**Term loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	
Past due up to 30 days	34,852	688,868	–	4,190	–	84,894	–	397	–	41,319	120	854,640
Past due 30-60 days	6,954	23,595	–	2,152	–	19,432	–	122	–	1,164	1,580	54,999
Past due 60-90 days	7,306	138,403	–	34,613	–	51,861	–	196	–	2,047	800	235,226
Total	**49,112**	**850,866**	**–**	**40,955**	**–**	**156,187**	**–**	**715**	**–**	**44,530**	**2,500**	**1,144,865**
Fair value of collateral	44,948	191,622	–	33,173	–	105,089	–	636	–	5,833	1,094	382,395
Amount of (over)/under collateralisation	**4,164**	**659,244**	**–**	**7,782**	**–**	**51,098**	**–**	**79**	**–**	**38,697**	**1,406**	**762,470**

31 December 2018

	CIB			Commercial				Consumer				Total
Past due:	**Overdrafts**	**Term loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Others**	**Overdrafts**	**Credit cards**	**Term Loans**	**Mortgages**	
Past due up to 30 days	16,366	278,392	–	2,953	–	45,351	–	2,953	1,439	2,946	70	350,470
Past due 30-60 days	5,084	86,755	–	566	–	25,008	–	566	–	2,968	48	120,995
Past due 60-90 days	37,497	622,827	–	9,686	–	31,321	–	9,686	–	1,997	1,309	714,323
Total	**58,947**	**987,974**	**–**	**13,205**	**–**	**101,680**	**–**	**13,205**	**1,439**	**7,911**	**1,427**	**1,185,788**
Fair value of collateral	34,477	769,632	–	8,809	–	29,264	–	12,242	1,439	2,701	584	859,148
Amount of (over)/under collateralisation	**24,470**	**218,342**	**–**	**4,396**	**–**	**72,416**	**–**	**963**	**–**	**5,210**	**843**	**326,640**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price.

c) Loans and advances individually impaired

Loans and advances to customers

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, is as follows:

31 December 2019

	CIB		Commercial			Consumer				Total
Past due:	Overdrafts	Term loans	Overdrafts	Credit cards	Term Loans	Overdrafts	Credit cards	Term Loans	Mortgages	
Gross	303,278	203,506	172,020	–	191,818	41,975	1,422	38,751	2,633	955,403
Impairment allowance	(6,533)	(126,558)	(88,379)	–	(170,871)	(29,275)	(1,377)	(6,531)	(661)	(430,185)
	296,745	**76,948**	**83,641**	**–**	**20,947**	**12,700**	**45**	**32,220**	**1,972**	**525,218**
Fair value of collateral	(5,514)	(1,110,639)	(48,161)	–	(45,853)	(3,830)	–	(6,386)	(1,513)	(1,221,896)
Amount of (over)/under collateralisation	**291,231**	**(1,033,691)**	**35,480**	**–**	**(24,906)**	**8,870**	**45**	**25,834**	**459**	**(696,678)**

31 December 2018

	CIB		Commercial			Consumer			Total
Past due:	Overdrafts	Term loans	Overdrafts	Credit cards	Term Loans	Overdrafts	Term Loans	Mortgages	
Gross	88,650	413,179	120,866	–	235,596	40,597	45,651	–	944,539
Impairment allowance	(19,127)	(260,488)	(56,895)	(2)	(184,650)	(19,337)	(6,949)	–	(547,448)
	69,523	**152,691**	**63,971**	**(2)**	**50,946**	**21,260**	**38,702**	**–**	**397,091**
Fair value of collateral	(33,330)	(357,482)	(63,908)	–	(73,150)	(28,297)	(9,301)	–	(565,468)
Amount of (over)/under collateralisation	**36,193**	**(204,791)**	**63**	**(2)**	**(22,204)**	**(7,037)**	**29,401**	**–**	**(168,377)**

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(All amounts in thousands of US dollars unless otherwise stated)

(d) Other assets with exposure to credit risks

	Balances with central banks	Trading financial assets	Derivative financial instruments	Treasury bills and other eligible bills	Investment securities	Pledged assets	Other assets less prepayments	Total
31 December 2019								
Neither past due nor impaired	2,192,427	182,662	65,459	1,632,749	4,695,831	351,478	1,154,675	10,275,281
Past due but not impaired								
Impaired	–	–	–	–	–	–	126,363	126.363
Gross	**2,192,427**	**182,662**	**65,459**	**1,632,749**	**4,695,831**	**351,478**	**1,281,038**	**10,401,644**
Less: allowance for impairment	–	–	–	–	(1,031)	–	(126,363)	(127,394)
Net	**2,192,427**	**182,662**	**65,459**	**1,632,749**	**4,694,800**	**351,478**	**1,154,675**	**10,274,250**
Carrying amounts	2,192,427	182,662	65,459	1,632,749	4,694,800	351,478	1,154,675	10,274,250
31 December 2018								
Neither past due nor impaired	2,140,632	122,283	49,914	1,828,251	4,564,552	240,434	574,044	9,520,110
Past due but not impaired								
Impaired	–	–	–	–	–	–	141,134	141,134
Gross	**2,140,632**	**122,283**	**49,914**	**1,828,251**	**4,564,552**	**240,434**	**715,178**	**9,661,244**
Less: allowance for impairment	–	–	–	–	(949)	–	(141,134)	(142,083)
Net	**2,140,632**	**122,283**	**49,914**	**1,828,251**	**4,563,603**	**240,434**	**574,044**	**9,519,161**
Carrying amounts	2,140,632	122,283	49,914	1,828,251	4,563,603	240,434	574,044	9,519,161

5.1.11 Concentration of risks of financial assets with credit risk exposure

a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2019 and 31 December 2018. For this table, the Group has allocated exposures to regions based on the country of domicile of our counterparties.

As at 31 December 2019

	UEMOA	NIGERIA	AWA	CESA	OTHERS	Total
Balances with central banks other than mandatory reserve deposits	296,699	84,258	54,117	323,277	169,390	927,741
Trading financial assets	–	150,125	2,600	29,937	–	182,662
Derivative financial instruments	–	34,971	–	30,488	–	65,459
Loans and advances to banks	500,319	418,629	340,523	515,488	116,930	1,891,889
Loans and advances to customers:						
CIB						
• Overdrafts	246,874	328,949	349,777	91,939	–	1,017,539
• Term loans	2,313,860	1,922,679	1,351,013	340,378	–	5,927,930
Consumer						
• Overdrafts	–	5,506	–	–	–	5,506
• Credit cards	–	1,422	321	231	–	1,974
• Term loans	397,946	40,979	301,429	111,640	–	851,994
• Mortgages	65,994	5,192	49,605	19,770	–	140,561
Commercial						
• Overdrafts	85,641	123,543	18,462	114,382	–	342,028
• Credit cards	–	–	–	–	–	
• Term loans	544,891	52,838	66,960	324,386		989,075
Treasury bills and other eligible bills	95,233	655,494	256,962	625,060	–	1,632,749
Investment securities – debt securities	3,117,442	144,453	787,821	644,509	575	4,694,800
Pledged assets	–	351,478	–	–	–	351,478
Other assets	370,854	141,723	231,249	161,564	122,922	1,028,312
Total	**8,035,753**	**4,462,239**	**3,810,839**	**3,333,049**	**409,817**	**20,051,697**
Credit commitments	**115,552**	**59,489**	**14,582**	**–**	**1,158,111**	**1,347,734**

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(All amounts in thousands of US dollars unless otherwise stated)

5.1.11 Concentration of risks of financial assets with credit risk exposure (continued)

As at 31 December 2018

	UEMOA	Nigeria	AWA	CESA	Others	Total
Balances with central banks other than mandatory reserve deposits	111,827	–	83,338	698,344	117,942	1,011,451
Financial assets held for trading	8,675	96,421	–	17,187	–	122,283
Derivative financial instruments	–	24,202	–	25,000	712	49,914
Loans and advances to banks	468,977	395,817	230,511	352,527	269,743	1,717,575
Loans and advances to customers:						
CIB						
• Overdrafts	348,857	60,227	30,595	139,925	250,459	830,063
• Term loans	2,191,124	2,252,035	128,864	398,949	1,132,189	6,103,161
Commercial						
• Overdrafts	74,642	68,791	31,565	59,518	–	234,516
• Term loans	564,610	82,684	66,065	211,244	59,577	984,180
• Others	–	–	–	–	1,652	1,652
Consumer						
• Overdrafts	3,938	4,949	3,803	3,874	2,930	19,494
• Term loans	373,328	136,870	22,591	91,043	182,401	806,233
• Mortgages	73,832	1,028	2,722	7,119	20,585	105,286
Treasury bills and other eligible bills	122,186	640,347	256,327	807,857	1,534	1,828,251
Investment securities – debt securities	3,010,342	488,711	647,536	411,060	5,954	4,563,603
Pledged assets	–	240,434	–	–	–	240,434
Other assets	323,411	50,580	72,696	31,469	95,888	574,044
Total	**7,722,333**	**4,480,731**	**1,578,613**	**3,262,680**	**2,231,867**	**19,276,224**
Credit commitments	**897,275**	**1,685,985**	**813,500**	**635,412**	**1,529,481**	**5,561,653**

(b) Industry sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	Financial institutions	Wholesale & retail trading	Manufacturing	Government	Mining & construction	Services & others	Total
31 December 2019							
Balances with central banks other than mandatory reserve deposits	927,741	–	–	–	–	–	927,741
Trading financial assets	2,600	–	–	180,062	–	–	182,662
Derivative financial instruments	30,488	–	–	–	–	34,971	65,459
Loans and advances to banks	1,748,164	–	–	20,464	–	123,261	1,891,889
Loans and advances to customers:							
• Overdrafts	30,671	216,019	84,197	157,347	441,800	435,039	1,365,073
• Credit cards	––	–	–	–	–	1,974	1,974
• Term loans	250,042	1,333,225	920,689	1,406,321	811,931	3,046,791	7,768,999
• Mortgages	27	538	30,445	1,922	50,032	57,597	140,561
Treasury bills and other eligible bills	104,106	–	–	1,516,756	–	11,887	1,632,749
Investment securities – debt securities	1,174,262	–	–	3,497,659	–	22,879	4,694,800
Pledged assets	–	–	–	351,478	–	–	351,478
Other assets	207,944	–	–	61	–	820,307	1,028,312
Total	**4,476,045**	**1,549,782**	**1,035,331**	**7,132,070**	**1,303,763**	**4,554,706**	**20,051,697**
Credit commitments	**1,650,756**	**–**	**–**	**5,503,547**	**(2,900)**	**862,658**	**8,014,061**
31 December 2018							
Balances with central banks other than mandatory reserve deposits	1,011,451	–	–	–	–	–	1,011,451
Financial assets held for trading	–	–	–	122,283	–	–	122,283
Derivative financial instruments	25,712	–	–	–	–	24,202	49,914
Loans and advances to banks	1,409,847	–	–	–	–	307,728	1,717,575
Loans and advances to customers:							
• Overdrafts	18,501	272,598	139,382	91,168	186,431	375,993	1,084,073
• Credit cards	–	–	–	–	–	1,652	1,652
• Term loans	264,474	1,584,991	973,637	1,064,763	1,298,733	2,706,976	7,893,574
• Mortgages	–	687	1,704	4,888	289	97,718	105,286
• Others	–	1,740	–	–	–	–	1,740
Treasury bills and other eligible bills	213,879	–	–	1,558,312	–	56,060	1,828,251
Investment securities – debt securities	533,011	–	–	3,891,321	–	139,272	4,563,604
Pledged assets	–	–	–	240,434	–	–	240,434
Other assets	291,984	–	1	3,159	–	278,900	574,044
Total	**3,768,859**	**1,859,930**	**1,114,724**	**6,976,328**	**1,485,453**	**4,070,931**	**19,276,225**
Credit commitments	**2,362,606**	**177,454**	**1,502,638**	**83,114**	**437,045**	**998,796**	**5,561,653**

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5.2 Market risk

Market risk is the risk that changes in market prices, which include currency exchange rates and interest rates, will affect the fair value or future cash flows of a financial instrument. Market risk arises from open positions in interest rates and foreign currencies, both of which are exposed to general and specific market movements and changes in the level of volatility. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk. Overall responsibility for managing market risk rests with the Group Risk Management and the Board's Risk Committee. The Group Risk Management is responsible for the development of detailed risk management policies and procedures (subject to review and approval by the Board's Risk Committee) and for the day to day implementation of those policies.

It is worth noting that due to significant currency evolution, the year end exposure of foreign exchange and interest rate sensitivity analysis may be unrepresentative of the exposure during the year.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury. Regular reports are submitted to the Board of Directors and heads of each business unit. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the subsidiary's banking assets and liabilities. Non-trading portfolios also consist mainly of foreign exchange risks arising from the Group's investment securities.

The Group applies a 'value at risk' methodology (VAR) to its trading portfolios, to estimate the market risk of positions held and the maximum losses expected.

	31 December 2019			31 December 2018		
	Low	Average	High	Low	Average	High
Foreign exchange risk	560	873	966	533	766	986
Interest risk	1,247	1,530	1,453	1,134	1,500	1,816

5.2.1 Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

As at 31 December 2019	Dollar	Euro	CFA	Naira	Cedis	Others	Total
Assets							
Cash and balances with central banks	275,036	146,363	799,556	1,098,764	189,387	320,207	2,829,313
Trading financial assets	–	–	15,977	132,746	–	33,939	182,662
Derivative financial instruments	25,000	5,488	–	34,971	–	–	65,459
Loans and advances to banks	657,952	406,208	419,649	137,571	83,136	187,373	1,891,889
Loans and advances to customers	2,074,862	483,047	4,612,136	729,239	876,361	500,963	9,276,608
Treasury bills and other eligible bills	102,061	–	334,804	655,494	–	540,390	1,632,749
Investment securities	402,330	–	3,583,278	194,267	419,394	258,494	4,857,763
Pledged assets	12,000	–	–	339,478	–	–	351,478
Other assets	278,005	49,088	228,801	141,516	190,079	267,186	1,154,675
Total financial assets	**3,827,246**	**1,090,194**	**9,994,201**	**3,464,046**	**1,758,357**	**2,108,552**	**22,242,596**
Liabilities							
Deposits from banks	478,444	408,276	898,305	159,155	58,000	205,413	2,207,593
Deposits from customers	3,434,550	694,393	7,118,861	2,703,651	1,050,867	1,243,798	16,246,120
Derivative financial instruments	–	3,319	–	22,833	–	25,103	51,255
Other borrowed funds	1,631,699	103,522	143,515	93,472	15,215	87,578	2,075,001
Other liabilities	232,263	36,219	162,995	197,841	62,412	89,763	781,493
Total financial liabilities	**5,776,956**	**1,245,729**	**8,323,676**	**3,176,952**	**1,186,494**	**1,651,655**	**21,361,462**
Net on-statement of financial position	**(1,949,710)**	**(155,535)**	**1,670,525**	**287,094**	**571,863**	**456,897**	**881,134**
Credit commitments	**1,619,239**	**354,429**	**657,390**	**899,000**	**13,155**	**113,669**	**3,656,882**

As at 31 December 2018	Dollar	Euro	CFA	Naira	Cedi	Others	Total
Assets							
Cash and balances with central banks	687,311	176,598	551,507	919,242	146,866	315,893	2,797,417
Financial assets held for trading	–	–	8,754	96,421	–	17,108	122,283
Derivative financial instruments	25,000	430	–	24,202	–	282	49,914
Loans and advances to banks	630,575	359,483	407,401	121,740	104,623	93,753	1,717,575
Loans and advances to customers	2,293,549	387,579	4,519,248	1,020,339	478,252	387,358	9086,325
Treasury bills and other eligible bills	388,178	–	427,746	464,176	35,927	512,224	1,828,251
Investment securities - available-for-sale	144,192	–	3,143,329	604,669	482,783	193,289	4,568,262
Pledged assets	–	–	–	240,434	–	–	240,434
Other assets	96,452	19,188	188,654	83,905	54,037	131,808	574,044
Total financial assets	**4,265,257**	**943,278**	**9,246,639**	**3,575,128**	**1,302,488**	**1,651,715**	**20,984,505**
Liabilities							
Deposits from banks	310,569	465,482	444,541	102,286	9,749	133,019	1,465,646
Deposits from customers	3,544,731	509,571	7,135,663	2,613,041	964,232	1,168,761	15,935,999
Derivative financial instruments	–	–	–	4,640	–	25,267	29,907
Other borrowed funds	1,584,275	124,328	169,396	84,969	436	96,286	2,059,690
Other liabilities	309,788	20,037	204,751	211,757	115,086	77,984	939,403
Total financial liabilities	**5,749,363**	**1,119,418**	**7,954,351**	**3,016,693**	**1,089,503**	**1,501,317**	**20,430,645**
Net on-statement of financial position	**(1,484,106)**	**(176,140)**	**1,292,289**	**558,435**	**212,985**	**150,399**	**553,860**
Credit commitments	**1,054,309**	**703,559**	**499,681**	**1,680,384**	**313,753**	**1,309,967**	**5,561,653**

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Currency sensitivity analysis

ETI periodically performs sensitivity analysis to determine the impact on Group earnings resulting from a potential appreciation of the United States Dollars (USD) relative to the currencies to which the Group has major exposure namely, CFA Franc (FCFA), the Euro (EUR), the Nigerian Naira (NGN) and the Ghana Cedi (GHS). The results using data as of 31 December 2019 and 31 December 2018 are shown in the table below.

	31 December 2019			31 December 2018		
Overall impact						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(34)	(65)	(120)	(47)	(89)	(163)
Impact for NGN						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(21)	(41)	(75)	(13)	(25)	(47)
Impact for CFA						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	(80)	(152)	(278)	(33)	(62)	(114)
Impact for EUR						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	7	13	24	4	8	15
Impact for GHS						
Projected Appreciation of the USD	5%	10%	20%	5%	10%	20%
Estimated Impact on Earnings ($ Million)	60	114	210	(5)	(10)	(18)

5.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

5.2.2 Interest rate risk (continued)

The table below summarises the Group's exposure to interest rate risks. It includes the Group's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group's derivatives will be settled on a net basis.

As at 31 December 2019	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Assets							
Cash and balances with central banks	1,002,082	6,305	25,017	–	–	1,795,909	2,829,313
Trading financial assets	38,145	32,338	112,179	–	–	–	182,662
Derivative financial instruments	5,488	–	59,971	–	–	–	65,459
Loans and advances to banks	1,179,898	242,690	469,302	–	–	–	1,891,890
Loans and advances to customers	1,574,323	1,357,250	2,089,842	2,958,640	1,296,553	–	9,276,608
Treasury bills and other eligible bills	42,381	322,189	1,078,543	180,332	9,304	–	1,632,749
Investment securities	46,539	68,442	595,835	2,701,259	1,445,687	–	4,857,762
Pledged assets	76,679	81,418	134,192	–	59,189	–	351,478
Other assets	281,437	57,728	19,830	54,569	–	736,072	1,149,636
Total financial assets	**4,246,972**	**2,168,360**	**4,584,711**	**5,894,800**	**2,810,733**	**2,531,981**	**22,237,557**
Liabilities							
Deposits from banks	898,293	–	12,539	–	–	1,296,758	2,207,590
Deposits from customers	7,892,319	1,083,018	1,086,277	1,049,545	359,010	4,775,951	16,246,120
Derivative financial instruments	15,430	10,000	25,825	–	–	–	51,255
Borrowed funds	365,703	10,256	79,781	1,410,559	199,702	9,000	2,075,001
Other liabilities	155,052	10,259	88,657	96,132	14,106	417,289	781,495
Total financial liabilities	**9,326,797**	**1,113,533**	**1,293,079**	**2,556,236**	**572,818**	**6,498,998**	**21,361,461**
Total interest repricing gap	**(5,079,825)**	**1,054,827**	**3,291,632**	**3,338,564**	**2,237,915**	**(3,967,017)**	**876,096**

As at 31 December 2018							
Assets							
Cash and balances with central banks	965,080	–	12,539	–	–	1,819,798	2,797,417
Financial assets held for trading	79	–	121,990	–	–	214	122,283
Derivative financial instruments	15,430	10,000	24,484	–	–	–	49,914
Loans and advances to banks	550,772	423,877	661,781	81,145	–	–	1,717,575
Loans and advances to customers	2,324,311	1,432,854	1,534,206	2,972,438	822,516	–	9,086,325
Treasury bills and other eligible bills	150,739	237,073	1,300,574	111,804	28,061	–	1,828,251
Investment securities	91,210	50,247	266,697	2,313,762	1,846,346	–	4,568,262
Pledged assets	–	–	164,160	76,274	–	–	240,434
Other assets	256,561	99,005	47,435	34,316	3,082	133,645	574,044
Total financial assets	**4,354,182**	**2,253,056**	**4,133,866**	**5,589,739**	**2,700,005**	**1,953,657**	**20,984,505**
Liabilities							
Deposits from banks	1,240,476	43,076	15,544	–	–	166,550	1,465,646
Deposits from customers	5,987,363	1,992,038	667,254	561,846	83,420	6,644,078	15,935,999
Derivative financial instruments	15,314	9,953	4,640	–	–	–	29,907
Borrowed funds	593,383	32,940	256,753	1,006,412	170,134	68	2,059,690
Other liabilities	141,915	64,263	184,476	69,164	13,803	465,782	939,403
Total financial liabilities	**7,978,451**	**2,142,270**	**1,128,667**	**1,637,422**	**267,357**	**7,276,478**	**20,430,645**
Total interest repricing gap	**(3,624,269)**	**110,786**	**3,005,199**	**3,952,317**	**2,432,648**	**(5,322,821)**	**553,860**

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(All amounts in thousands of US dollars unless otherwise stated)

5.2.2 Interest rate risk (continued)

Interest rate sensitivity analysis

The Group performs a periodic analysis of the sensitivity of its one-year projected earnings to an increase or decrease in market interest rates assuming a parallel shift in yield curves and a constant balance sheet position and the results using data as of 31 December 2019 and 31 December 2018 are shown below.

31 December 2019

Projected Change in Interest Rates	25 basis points increase	50 basis points increase	100 basis points increase	25 basis points decrease	50 basis points decrease	100 basis points decrease
Estimated Impact on Earnings/ Equity ($ Million)	4.5	8.9	17.8	(4.5)	(8.9)	(17.8)

31 December 2018

Projected Change in Interest Rates	25 basis points increase	50 basis points increase	100 basis points increase	25 basis points decrease	50 basis points decrease	100 basis points decrease
Estimated Impact on Earnings/ Equity ($ Million)	3.8	7.7	15.3	(3.8)	(7.7)	(15.3)

5.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

5.3.1 Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by a separate team in Group Treasury, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or are borrowed by customers;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

5.3.2 Undiscounted cash flows

The table below presents the cash flows payable by the Group by remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

As at 31 December 2019	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Cash and balances with central banks	1,748,025	–	–	–	1,264,686	3,012,711
Trading financial assets	5,905	34,977	147,125	1,056	68,759	257,822
Derivative financial instruments	20,427	45,032	–	–	–	65,459
Loans and advances to banks	1,603,529	404,680	238,222	–	–	2,246,431
Loans and advances to customers	3,363,696	1,628,089	1,871,518	3,641,301	1,401,980	11,906,584
Treasury bills and other eligible bills	181,080	404,854	1,113,704	66,644	–	1,766,282
Investment securities	1,089,572	46,899	716,138	2,209,469	1,452,255	5,514,333
Pledged assets	–	–	351,478	–	–	351,478
Other assets	474,792	43,267	449,653	142,201	39,723	1,149,636
Total assets (expected maturity dates)	**8,487,026**	**2,607,798**	**4,887,838**	**6,060,671**	**4,227,403**	**26,270,736**
Liabilities						
Deposits from banks	3,135,012	526,621	223,189	199,602	–	4,084,424
Deposit from customers	12,987,391	1,183,962	1,161,846	816,802	221,060	16,371,061
Other borrowed funds	145,114	38,584	167,677	2,515,933	54,640	2,921,948
Other liabilities	672,660	373,110	1,189,981	26,452	565,847	2,828,050
Derivative financial instruments	568,362	10,259	88,657	96,132	14,106	777,516
Total liabilities (contractual maturity dates)	**17,508,539**	**2,132,536**	**2,831,350**	**3,654,921**	**855,653**	**26,982,999**
Gap analysis	**(9,021,513)**	**475,262**	**2,056,488**	**2,405,750**	**3,371,750**	**(712,263)**
Off-balance sheet items						
Loan commitments	–	–	307,533	144,722	–	452,255
Guarantees, acceptances and other financial facilities	–	–	2,179,146	1,025,481	–	3,204,627
Total	**–**	**–**	**2,486,680**	**1,170,202**	**–**	**3,656,882**

As at 31 December 2018	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	1,630,386	–	–	–	1,129,181	2,759,567
Financial asset held for trading	3,109	–	25,444	108,490	2,708	139,751
Derivative financial instruments	31,324	9,388	17,888	–	–	58,600
Loans and advances to banks	1,332,720	236,644	428,077	–	–	1,997,441
Loans and advances to customers	2,844,648	1,656,397	1,433,571	3,271,303	986,141	10,192,060
Treasury bills and other eligible bills	273,288	616,385	1,255,971	125,154	11,045	2,281,843
Investment securities – available-for-sale	155,666	91,922	1,057,989	2,064,430	2,580,063	5,950,070
Pledged assets	–	–	164,160	76,274	–	240,434
Other assets	285,526	59,961	263,801	120,242	–	729,530
Total assets (expected maturity dates)	**6,556,667**	**2,670,697**	**4,646,901**	**5,765,893**	**4,709,138**	**24,349,296**
Liabilities						
Deposits from banks	1,123,556	427,701	503,241	48,415	–	2,102,913
Deposit from customers	11,529,945	1,369,249	1,537,889	868,209	1,469,385	16,774,677
borrowed funds	282,899	64,213	389,601	1,818,516	33,676	2,588,905
Derivative financial instruments	672,659	129,567	876,309	102,847	49,183	1,830,565
Other liabilities	29,907	–	–	–	–	29,907
Total liabilities (contractual maturity dates)	**13,638,966**	**1,990,730**	**3,307,040**	**2,837,987**	**1,552,244**	**23,326,967**
Gap analysis	**(7,082,299)**	**679,967**	**1,339,861**	**2,927,906**	**3,156,894**	**1,022,329**
Off-balance sheet items						
Loan commitments	–	–	830,864	390,576	–	1,221,440
Guarantees, acceptances and other financial facilities	–	–	2,952,356	1,387,857	–	4,340,213
Total	**–**	**–**	**3,783,220**	**1,778,433**	**–**	**5,561,653**

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Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection and treasury and other eligible bills; loans and advances to banks; loans and advances to customers and other assets. In the normal course of business, a proportion of customer loans and advances contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling investment securities.

5.4 Offsetting

At 31 December 2019

	Gross amount	Gross amount set-off on SOFP	Net amount presented on SOFP	Related amount not set-off on SOFP	Net amount
Derivative financial assets					
• forwards	40,459	–	40,459	–	40,459
• swaps	25,000	–	25,000	–	25,000
• options	–	–	–	–	–
Derivative financial liabilities					
• forwards	26,153	–	26,153	–	26,153
• swaps	25,102	–	25,102	–	25,102
• options	–	–	–	–	–

At 31 December 2018

	Gross amount	Gross amount set-off on SOFP	Net amount presented on SOFP	Related amount not set-off on SOFP	Net amount
Derivative financial assets					
• forwards	24,632	–	24,632	–	24,632
• swaps	25,282	–	25,282	–	25,282
• options	–	–	–	–	–
Derivative financial liabilities					
• forwards	5,051	–	5,051	–	5,051
• swaps	24,856	–	24,856	–	24,856
• options	–	–	–	–	–

5.5 Fair value of financial assets and liabilities

Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

(a) Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at fair value on the Group's consolidated statement of financial position.

	Carrying value		Fair value	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Financial assets:				
Cash and balances with central banks	2,829,313	2,797,417	2,829,313	2,797,417
Loans and advances to banks	1,891,889	1,717,575	2,246,431	1,691,762
Loans and advances to customers	9,276,608	9,089,200	9,325,099	9,008,813
Other assets (excluding prepayments)	1,154,675	715,178	1,154,675	715,178
Financial liabilities:				
Deposits from banks	2,207,593	1,465,646	2,018,980	2,099,272
Deposit from customers	16,246,120	15,935,999	16,371,061	15,267,906
Other liabilities (excluding deferred income)	781,493	939,403	781,493	939,403
Borrowed funds	2,075,001	2,059,690	2,191,461	2,054,326

All the fair values are determined using the Level 2 fair value hierarchy.

Management do not believe any greater disaggregation of the items shown in the table above other than the line items presented in the statement of financial position would provide any more meaningful information nor have an impact on the fair value amounts disclosed.

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(All amounts in thousands of US dollars unless otherwise stated)

5.5 Fair value of financial assets and liabilities (continued)

(i) Cash
The carrying amount of cash and balances with banks is a reasonable approximation of fair value.

(ii) Loans and advances to banks
Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(iii) Loans and advances to customers
Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Deposit from banks, due to customers and other deposits
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

(v) Other assets
The bulk of these financial assets have short term (less than 12 months) maturities and their amounts are a reasonable approximation of fair value

(vi) Other liabilities
The carrying amount of financial liabilities in other liabilities is a reasonable approximation of fair value because these are short term in nature with a maturity of less than one year.

(vii) Borrowed funds
The estimated fair value of borrowed funds represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine the fair value. This will take into account closest similar instruments with similar coupons and maturities where available.

(b) Fair value hierarchy
IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

	31 December 2019			31 December 2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Treasury and other eligible bills	879,087	753,662	–	701,994	1,126,257	–
Trading financial assets	166,724	15,938	–	96,500	25,783	–
Derivative financial instruments	–	65,459	–	–	49,914	–
Pledged assets	–	351,478	–	–	240,434	–
Investment securities	776,839	4,080,834	90	2,073,032	2,495,140	90
Total financial assets	**1,822,650**	**5,267,371**	**90**	**2,871,526**	**3,937,528**	**90**
Derivative financial instruments	–	51,255	–	–	29,907	–
Total financial liabilities	**–**	**51,255**	**–**	**–**	**29,907**	**–**

There are no movements between Level 1 and Level 2. The following table presents the changes in Level 3 instruments for the investment securities:

	31 Dec. 2019	31 Dec. 2018
	Level 3	Level 3
Opening balance	90	60,165
Disposal	–	(60,075)
Transfer from level 3 to level 2	–	–
Gains & losses recognised in other comprehensive income	–	–
Closing balance	**90**	**90**
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**–**	**–**

Level 3 fair value measurement

The table below sets out information about significant unobservable value inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of financial instrument	Fair value as at 31 Dec 2019	Valuation technique	Significant unobservable input	Change in unobservable input by 10 basis point	Change in unobservable input by 50 basis point
OCEANIC HEALTH MANAGEMENT	90	Discounted cash flow	Weighted average cost of capital	91	95

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5.5 Fair value of financial assets and liabilities (continued)

(c) Financial instrument classification

At 31 December 2019	Amortised cost	FVTPL	FVTOCI - Debt Instruments	Equity Instruments at FVTPL	FVTOCI – Equity instruments	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Assets								
Cash and balances with central banks	2,829,313	–	–	–	–	–	–	2,829,313
Trading financial assets	–	182,662	–	–	–	–	–	182,662
Derivative financial instruments	–	65,459	–	–	–	–	–	65,459
Loans and advances to banks	1,891,889	–	–	–	–	–	–	1,891,889
Loans and advances to customers	9,276,608	–	–	–	–	–	–	9,276,608
Treasury bills and other eligible bills	–	–	1,632,749	–	–	–	–	1,632,749
Investment securities – Equity instruments	–	–	–	163,904	90	–	–	163,994
Investment securities – Debt instruments	–	–	4,693,769	–	–	–	–	4,693,769
Pledged assets	351,478	–	–	–	–	–	–	351,478
Other assets, excluding prepayments	1,154,675	–	–	–	–	–	–	1,154,675
Total	**15,503,963**	**248,121**	**6,326,518**	**163,904**	**90**	**–**	**–**	**22,242,596**
Liabilities								
Deposits from banks	–	–	–	–	–	–	2,207,593	2,207,593
Deposits from customers	–	–	–	–	–	–	16,246,120	16,246,120
Derivative financial instruments	–	–	–	–	–	51,255	–	51,255
Borrowed funds	–	–	–	–	–	–	2,075,001	2,075,001
Other liabilities, excluding non-financial liabilities	–	–	–	–	–	–	781,493	781,493
Total	**–**	**–**	**–**	**–**	**–**	**51,255**	**21,310,207**	**21,361,462**

At 31 December 2018	Amortised cost	FVTPL	FVTOCI - Debt Instruments	Equity Instruments at FVTPL	FVTOCI – Equity instruments	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
Assets								
Cash and balances with central banks	2,797,417	–	–	–	–	–	–	2,797,417
Trading financial assets	–	122,283	–	–	–	–	–	122,283
Derivative financial instruments	–	49,914	–	–	–	–	–	49,914
Loans and advances to banks	1,717,575	–	–	–	–	–	–	1,717,575
Loans and advances to customers	9,089,200	–	–	–	–	–	–	9,089,200
Treasury bills and other eligible bills	–	–	1,828,251	–	–	–	–	1,828,251
Investment securities – Equity instruments	–	–	–	5,518	90	–	–	5,608
Investment securities – Debt instruments	–	–	4,563,603	–	–	–	–	4,563,603
Pledged assets	240,434	–	–	–	–	–	–	240,434
Other assets, excluding prepayments	715,178	–	–	–	–	–	–	715,178
Total	**14,559,804**	**172,197**	**6,391,854**	**5,518**	**90**	**–**	**–**	**21,129,463**
Liabilities								
Deposits from banks	–	–	–	–	–	–	1,465,646	1,465,646
Deposits from customers	–	–	–	–	–	–	15,935,999	15,935,999
Derivative financial instruments	–	–	–	–	–	29,907	–	29,907
Borrowed funds	–	–	–	–	–	–	2,059,690	2,059,690
Other liabilities, excluding non-financial liabilities	–	–	–	–	–	–	939,403	939,403
Total	**–**	**–**	**–**	**–**	**–**	**29,907**	**20,400,738**	**20,430,645**

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(All amounts in thousands of US dollars unless otherwise stated)

5.6 Financial risk management

The Group's capital management objectives are:

- To comply with the capital requirements set by regulators in the markets where the Group's entities operate and safeguard the Group's ability to continue as a going concern;
- To maintain a strong capital base that supports the development of the business; and
- To sustain a sufficient level of returns for the Group's shareholders.

On a consolidated basis, the Group is required to comply with Basel II/III capital requirements set by the BCEAO for banks headquartered in the UEMOA zone. On a standalone basis, banking subsidiaries are required to maintain minimum capital levels and minimum capital adequacy ratios which are determined by their national or regional regulators.

The Group's capital is divided into two tiers:

- Tier 1 capital: share capital (net of treasury shares), retained earnings, reserves created by appropriations of retained earnings, and non-controlling interests allowed as Tier 1 capital by the regulator. Certain intangibles and goodwill are deducted in calculating Tier 1 capital; and

- Tier 2 capital: subordinated debt and other loss-absorbing instruments, certain revaluation reserves, and non-controlling interests allowed as Tier 2 capital by the regulator.

Risk-weighted assets are calculated in accordance with regulatory guidelines. Credit risk-weighted assets are measured by applying a hierarchy of risk weights related to the nature of the risks associated with each of the Group's on and off-balance sheet asset classes. Operational risk weighted assets are calculated by applying a scaling factor to the Group's average gross income over the last three years. Market risk-weighted assets are calculated by applying factors to the Group's trading exposures to foreign currencies, interest rates and prices.

The table below summarises the composition of regulatory capital and the ratios of the Group. The Group has remained compliant with the minimum regulatory capital adequacy ratio requirements (7.25% Tier 1 CAR and 9.50% Total CAR in 2019).

	30 June 2019	31 Dec 2018
Tier 1 capital		
Share capital	2,113,957	2,113,957
Retained earnings	385,595	184,895
IFRS 9 transition adjustment	99,767	200,531
Statutory reserve	478,232	478,232
Other reserves	(1,596,540)	(1,420,359)
Non-controlling interests	203,171	182,899
Less: goodwill	(194,313)	(199,105)
Less: intangibles	(74,884)	(79,229)
Less: other deductions	–	–
Total qualifying Tier 1 capital	**1,414,984**	**1,461,821**
Tier 2 capital		
Subordinated debt and other instruments	397,429	398,788
Revaluation reserve	100,223	77,176
Minority interests included in Tier 2 capital	65,819	44,118
Total qualifying Tier 2 capital	**563,471**	**520,082**
Total regulatory capital	**1,978,455**	**1,981,903**
Risk-weighted assets:		
Credit risk weighted assets	12,248,402	12,319,621
Market risk weighted assets	314,920	268,212
Operational risk weighted assets	3,501,410	3,501,410
Total risk-weighted assets	**16,064,732**	**16,009,774**
Tier 1 capital adequacy ratio	**8.8%**	**9.1%**
Total capital adequacy ratio	**12.3%**	**12.4%**

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6 Segment analysis

Following the management approach of IFRS 8 *Operating Segments* they are reported in accordance with the internal reporting provided to the Group Executive Committee (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assesses its performance. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

The Group operating segments are described below:

a) **Corporate and Investment Bank:** Focuses on providing one-stop banking services to multinationals, regional companies, government and government agencies, financial institutions and international organisations across the network. This unit also provides Treasury activities.

b) **Commercial Bank:** Focuses on serving local corporates, small and medium corporates, SMEs, Schools, Churches and local NGOs and Public Sector.

c) **Consumer Bank:** Focuses on serving banking customers that are individuals.

All revenues are external revenues. Attributing revenue to geographical areas is based on affiliate geographical position and activities. The reconciling items are inter-company adjustments: mainly elimination of intra-Group dividend income and other inter-company assets and liabilities.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, but exclude items such as taxation and borrowings.

The following table shows the Group's performance by business segments.

At 31 December 2019	CIB	Commercial	Consumer	Others	Total business segment	Consolidation adjustments	Ecobank Group
Net interest income	395,196	155,217	211,917	(13,421)	748,909	820	749,729
Net fees and commission income	151,819	104,651	168,085	25,053	449,608	(30,092)	419,516
Other income	266,698	100,052	36,912	225,178	628,840	(175,826)	453,014
Operating income	**813,713**	**359,920**	**416,914**	**236,810**	**1,827,357**	**(205,098)**	**1,622,259**
Impairment losses on financial assets	(60,660)	(32,737)	(15,452)	(24,708)	(133,557)	–	(133,557)
Operating expenses	(423,275)	(277,461)	(334,561)	(62,730)	(1,098,027)	24,646	(1,073,381)
Operating profit	**329,778**	**49,722**	**66,901**	**149,372**	**595,773**	**(180,452)**	**415,321**
Share of loss from associates	(156)	–	–	(620)	(776)	–	(776)
Net monetary loss arising from hyperinflationary economy	–	–	–	(9,466)	(9,466)	–	(9,466)
Profit before tax from continuing operations	**329,622**	**49,722**	**66,901**	**139,286**	**585,531**	**(180,452)**	**405,079**
Total assets	**13,898,717**	**1,750,062**	**1,003,741**	**4,013,305**	**20,665,825**	**2,975,359**	**23,641,184**
Total liabilities	**12,957,810**	**3,813,213**	**5,505,945**	**1,942,446**	**24,219,414**	**(2,464,007)**	**21,755,407**
At 31 December 2018							
Net interest income	464,160	163,358	240,217	62,025	929,760	–	929,760
Net fees and commission income	176,858	97,768	171,337	32,126	478,089	(33,648)	444,441
Other income	293,696	93,359	35,012	139,623	561,690	(110,720)	450,970
Operating income	**934,714**	**354,485**	**446,566**	**233,774**	**1,969,539**	**(144,368)**	**1,825,171**
Impairment losses on financial assets	(273,739)	(60,931)	(13,237)	(37,562)	(385,469)	42,085	(343,384)
Operating expenses	(472,747)	(264,324)	(371,422)	(126,171)	(1,234,663)	111,896	(1,122,767)
Operating profit	**188,228**	**29,230**	**61,907**	**70,042**	**349,407**	**9,613**	**359,020**
Share of loss from associates	66	–	–	(3,039)	(2,973)	461	(2,512)
Profit before tax from continuing operations	**188,294**	**29,230**	**61,907**	**67,003**	**346,434**	**10,074**	**356,508**
Total assets	**13,022,007**	**1,252,536**	**889,996**	**3,340,465**	**18,505,004**	**3,997,723**	**22,502,727**
Total liabilities	**11,678,343**	**3,346,639**	**5,242,265**	**2,125,486**	**22,392,733**	**(1,623,028)**	**20,769,705**

The reconciling items are inter-company adjustments mainly elimination of intra-Group dividend income, inter-company assets and liabilities and other adjustments for consolidation.

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(All amounts in thousands of US dollars unless otherwise stated)

6.1 Entity-wide disclosures

The Group is also further organised under the following geographical clusters:

i) Union Economique et Monétaire Ouest Africaine (UEMOA) region comprises all subsidiaries within the UEMOA monetary zone. Countries in this zone share a common currency except Cape Verde. This region currently includes subsidiaries in Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Mali, Niger, Senegal, Togo and Guinea-Bissau and any other related entities..

ii) Nigeria region is made up of Ecobank Nigeria and other related entities.

iii) Anglophone West Africa (AWA) region comprises all subsidiaries in West African countries not included in the common monetary zone described as UEMOA. This region currently includes subsidiaries in Ghana, Guinea, Liberia, Sierra Leone and Gambia and any other related entities.

iv) Central, Eastern and Southern (CESA) region comprises all subsidiaries within the CEMAC (Central African Economic and Monetary Community) , EAC (East African Community) and SADC (Southern African Development Community) monetary zone. Countries in this zone share a common currency except São Tomé and Príncipe. These countries are: Cameroon, Chad, Central Africa, Congo Brazzaville, Gabon, São Tomé and Príncipe, Equatorial Guinea, Burundi, Kenya, Rwanda, Tanzania, Uganda, South Sudan, Democratic Republic of Congo, Malawi, Zambia, Zimbabwe and Mozambique and any other related entities.

Transactions between the business segments are carried out at arm's length. The revenue from external parties reported to the Group Executive Committee is measured in a manner consistent with that in the consolidated income statement. Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in inter-segment net interest income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments.

Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue-sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.
The Group's management reporting is based on a measure of operating profit comprising net interest income, loan impairment charges, net fee and commission income, other income and non-interest expenses. This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. As the Group Executive Management Committee reviews operating profit, the results of discontinued operations are not included in the measure of operating profit. The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Management Committee. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.

Segment results of operations

The segment information provided to the Group Executive Board for the reportable segments for the period ended 31 December 2019 is as follows:

	UEMOA	NIGERIA	AWA	CESA	Others and consolidation adjustment	Subtotal entities	Ecobank Group
At 31 December 2019							
Net interest income	290,809	102,690	264,184	193,921	(101,875)	749,729	749,729
Non interest income	217,500	153,040	172,076	259,890	70,024	872,530	872,530
Operating income	**508,309**	**255,730**	**436,260**	**453,811**	**(31,851)**	**1,622,259**	**1,622,259**
Impairment losses on financial assets	(32,477)	(6,713)	(53,979)	(2,899)	(37,489)	(133,557)	(133,557)
Operating expenses	(302,148)	(242,760)	(204,710)	(259,194)	(64,569)	(1,073,381)	(1,073,381)
Operating profit	**173,684**	**6,257**	**177,571**	**191,718**	**(133,909)**	**415,321**	**415,321**
Share of loss from associates	–	–	3	(159)	(620)	(776)	(776)
Net monetary loss arising from hyperinflationary economy	–	–	–	(9,466)	–	(9,466)	(9,466)
Profit before tax	**173,684**	**6,257**	**177,574**	**182,093**	**(134,529)**	**405,079**	**405,079**
Taxation	(27,011)	(3,080)	(53,655)	(60,335)	9,216	(134,865)	(134,865)
Profit after tax from continuing operations	**146,673**	**3,177**	**123,919**	**121,758**	**(125,313)**	**270,214**	**270,214**
Total assets	**8,960,332**	**5,932,641**	**3,595,125**	**5,597,660**	**(444,574)**	**23,641,184**	**23,641,184**
Total liabilities	**8,263,104**	**5,439,475**	**3,122,567**	**5,080,545**	**(150,284)**	**21,755,407**	**21,755,407**
At 31 December 2018							
Net interest income	282,989	261,417	241,823	207,283	(63,752)	929,760	929,760
Non interest income	245,329	193,604	158,092	243,571	54,815	895,411	895,411
Operating income	**528,318**	**455,021**	**399,915**	**450,854**	**(8,937)**	**1,825,171**	**1,825,171**
Impairment losses on financial assets	(49,519)	(157,319)	(43,199)	(67,478)	(25,869)	(343,384)	(343,384)
Operating expenses	(315,989)	(284,968)	(209,094)	(272,466)	(40,250)	(1,122,767)	(1,122,767)
Operating profit	**162,810**	**12,734**	**147,622**	**110,910**	**(75,056)**	**359,020**	**359,020**
Share of loss from associates	–	–	284	(217)	(2,579)	(2,512)	(2,512)
Profit before tax	**162,810**	**12,734**	**147,906**	**110,693**	**(77,635)**	**356,508**	**356,508**
Taxation	(11,733)	(1,474)	(46,335)	(42,617)	(5,970)	(108,129)	(108,129)
Profit after tax from continuing operations	**151,077**	**11,260**	**101,571**	**68,076**	**(82,804)**	**249,180**	**249,180**
Total assets	**8,860,612**	**5,532,739**	**3,259,219**	**5,410,441**	**(560,284)**	**22,502,727**	**22,502,727**
Total liabilities	**8,256,466**	**4,880,603**	**2,875,898**	**4,884,858**	**(128,120)**	**20,769,705**	**20,769,705**

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(All amounts in thousands of US dollars unless otherwise stated)

7 Net interest income

	2019	2018
Interest income		
Loans and advances to banks	109,085	101,498
Loans and advances to customers:		
• Corporate	504,633	635,575
• Commercial	121,090	98,147
• Consumer	102,189	133,925
Treasury bills and other eligible bills	195,266	224,086
Investment securities	332,265	239,932
Trading financial assets	37,739	78,461
Others	9,731	16,786
	1,411,998	**1,528,410**
Interest expense		
Deposits from banks	115,320	97,766
Due to customers:		
• Corporate	161,341	182,292
• Commercial	53,993	50,690
• Consumer	136,389	139,244
Borrowed funds	174,208	31,492
Interest expense for lease liabilities	6,458	–
Others	14,560	97,166
	662,269	**598,650**

8 Net fee and commission income

	2019	2018
Fee and commission income		
Credit related fees and commissions	134,470	136,094
Corporate finance fees	13,951	13,798
Portfolio and other management fees	21,243	19,117
Brokerage fees and commissions	5,383	3,439
Cash management and related fees	198,499	230,304
Card management fees	79,430	87,041
Other fees	6,890	17,641
	459,866	**507,434**
Fee and commission expense		
Brokerage fees paid	1,459	1,314
Other fees paid	38,891	61,679
	40,350	**62,993**

The Group provides custody, trustee, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements.

8 Net fee and commission income (continued)

Analysis of net fees and commissions by region

	UEMOA	NIGERIA	AWA	CESA	Other and consolidation adjustment	Total
31 December 2019						
Fee and commission income						
Credit related fees and commissions	34,625	17,740	37,273	35,641	9,191	134,470
Corporate finance fees	8,019	3,251	2,080	602	(1)	13,951
Portfolio and other management fees	14,217	571	6,206	249	–	21,243
Brokerage fees and commissions	483	1,193	3,444	263	–	5,383
Cash management and related fees (*)	62,794	18,764	36,260	77,869	2,812	198,499
Card management fees	17,203	18,691	17,531	26,004	1	79,430
Other fees	5,103	1,467	2,378	(2,792)	734	6,890
Total	**142,444**	**61,677**	**105,172**	**137,836**	**12,737**	**459,866**
Fee and commission expense						
Brokerage fees paid	618	609	–	231	1	1,459
Other fees paid	6,577	10,093	5,056	12,705	4,460	38,891
Total	**7,195**	**10,702**	**5,056**	**12,936**	**4,461**	**40,350**
Net fees and commission	**135,249**	**50,975**	**100,116**	**124,900**	**8,276**	**419,516**
31 December 2018						
Fee and commission income						
Credit related fees and commissions	39,165	18,081	24,319	44,757	9,772	136,094
Corporate finance fees	8,322	–	1,054	–	4,422	13,798
Portfolio and other management fees	–	–	–	–	19,117	19,117
Brokerage fees and commissions	69	2,284	–	2	1,084	3,439
Cash management and related fees	73,435	19,040	36,722	97,831	3,276	230,304
Card management fees	20,618	21,797	16,914	27,434	278	87,041
Other fees	4,627	–	1,619	6,078	5,317	17,641
Total	**146,236**	**61,202**	**80,628**	**176,102**	**43,266**	**507,434**
Fee and commission expense						
Brokerage fees paid	–	567	–	136	611	1,314
Other fees paid	17,168	5,593	1,975	27,364	9,579	61,679
Total	**17,168**	**6,160**	**1,975**	**27,500**	**10,190**	**62,993**
Net fees and commission	**129,068**	**55,042**	**78,653**	**148,602**	**33,076**	**444,441**

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(All amounts in thousands of US dollars unless otherwise stated)

8 Net fee and commission income (continued)

Analysis of net fees and commissions by business unit

	CIB	Commercial	Consumer	Other and consolidation adjustment	Total
31 December 2019					
Fee and commission income					
Credit related fees and commissions	84,765	32,630	17,076	(1)	134,470
Corporate finance fees	13,795	114	43	(1)	13,951
Portfolio and other management fees	19,809	–	1,434	–	21,243
Brokerage fees and commissions	5,245	14	125	(1)	5,383
Cash management and related fees (*)	54,816	69,610	74,073	–	198,499
Card management fees	470	2,839	76,121	–	79,430
Other fees	(3,132)	6,392	3,409	219	6,888
Total	**175,768**	**111,599**	**172,281**	**216**	**459,864**
Fee and commission expense					
Brokerage fees paid	1,428	28	2	1	1,459
Other fees paid	22,521	6,920	4,194	5,254	38,889
Total	**23,949**	**6,948**	**4,196**	**5,255**	**40,348**
Net fees and commission	**151,819**	**104,651**	**168,085**	**5,039**	**419,516**
31 December 2018					
Fee and commission income					
Credit related fees and commissions	96,721	31,121	8,253	(1)	136,094
Corporate finance fees	13,798	–	–	–	13,798
Portfolio and other management fees	16,644	–	2,473	–	19,117
Brokerage fees and commissions	3,437	–	2	–	3,439
Cash management and related fees (*)	72,656	74,431	83,218	(1)	230,304
Card management fees	778	1,427	84,835	1	87,041
Other fees	8,599	5,051	1,660	2,331	17,641
Total	**212,633**	**112,030**	**180,441**	**2,330**	**507,434**
Fee and commission expense					
Brokerage fees paid	1,297	–	17	–	1,314
Other fees paid	34,478	14,262	9,086	3,853	61,679
Total	**35,775**	**14,262**	**9,103**	**3,853**	**62,993**
Net fees and commission	**176,858**	**97,768**	**171,338**	**(1,523)**	**444,441**

* Cash management and related fees is the sum of: Funds transfer commissions, Euro commissions, Rapid transfer, Current account servicing, Draft issuance commissions, Western Union commissions, Internet and SMS banking commissions, Mobile money revenues, Other cash management commissions, Money Gram Commissions, RIA Commissions, WARI Commissions, Bancassurance Commissions, Cash management from affiliates.

9 Net trading income

	2019	2018
Foreign exchange	295,558	340,762
Trading income on securities	86,133	41,123
	381,691	**381,885**

10 Net investment income

	2019	2018
Net gains/(losses) from investment securities	6,879	(14)
	6,879	**(14)**

11 Other operating income

	2019	2018
i) Lease income		
Equipment	4,153	2,086
Motor vehicles	14	108
Other leased assets	6	32
	4,173	**2,226**
ii) Dividend income		
Trading securities	36	869
Other equity securities	7,899	4,167
	7,935	**5,036**
iii) Others		
Fair value loss on investment properties	–	(1,077)
Profit on sale of property and equipment	–	63
Others	52,336	62,851
	52,336	**61,837**
Total other operating income	**64,444**	**69,099**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

12 Operating expenses

Year ended 31 December	2019	2018
a) Staff expenses		
Salaries, allowances and other compensation	421,306	458,359
Social security costs	44,994	35,392
Pension costs:		
• defined contribution plans	6,923	17,037
Other post retirement benefits	17,088	1,667
	490,311	**512,455**
b) Depreciation and amortisation		
Depreciation of property and equipment (Note 28)	66,207	77,541
Depreciation of right-of-use assets (Note 28)	21,937	–
Amortisation of software and other intangibles (Note 27)	20,360	19,903
	108,504	**97,444**
c) Other operating expenses		
Directors' emoluments	1,891	1,637
Restructuring costs	10	–
Social responsibility	1,417	1,427
Rent and utilities	33,795	63,522
Insurance	30,690	30,704
Advertising and promotion	20,310	24,355
Professional and legal costs	67,379	59,886
Operational losses and fines	12,949	17,121
Communications and technology	120,561	119,439
Business travel	16,685	17,733
AGM and board activities	2,670	2,643
Training	9,746	11,621
Employee activities	11,698	18,176
Repairs and maintenance	25,293	34,055
Supplies and services	9,239	10,868
Cash transportation	18,796	18,736
Fuel	11,543	14,125
Other taxes	24,438	24,954
Non capitalised items	739	621
Pre-opening expenses	–	89
Listing fees	2,407	2,258
Banking resolution sinking fund cost (AMCON)	36,537	13,578
Other administrative expenses	15,773	25,320
Total	**474,566**	**512,868**
Total operating expenses	**1,073,381**	**1,122,767**

13 Impairment losses on loans and advances

	2019	2018
Loans and advances to customers (Note 21)	**844,934**	**890,125**
• Specific allowance (stage 3)	715,329	638,216
• Collective allowance (stage 1 and 2)	129,605	251,909
Provisions no longer required (Note 21)	**(735,019)**	**(570,655)**
• Specific allowance (stage 3)	(616,751)	(179,909)
• Collective allowance (stage 1 and 2)	(118,268)	(390,746)
	109,915	**319,470**

14 Impairment losses on other financial assets

	2019	2018
Impairment charge on other financial assets (Note 25)	23,642	23,914

15 Taxation

	2019	2018
Current income tax	126,462	112,831
Deferred income tax (Note 37)	8,403	(4,702)
	134,865	**108,129**

The income tax rate applicable to the majority of income of the subsidiaries ranged from 25% to 45%.

Further information about deferred income tax is presented in Note 37. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

Profit before tax	405,079	435,977
Tax calculated at local tax rates applicable to profits in the respective countries	145,652	115,154
Tax impact on income not subject to tax	(27,480)	(13,700)
Tax impact on expenses not deductible for tax purposes	17,966	7,099
Utilisation of previously unrecognised tax losses	(1,273)	(424)
Income tax expense	**134,865**	**108,129**

Under the Headquarters Agreement between Ecobank Transnational Incorporated (ETI, "the Company") and the Republic of Togo signed in October 1985, ETI is exempt from tax on all its income arising from operations in Togo.

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16 Earnings per share

Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue outstanding during the period.

	2019	2018
Profit attributable to equity holders of the Company from continuing operations	**191,409**	**181,745**
Profit attributable to equity holders of the Company from discontinued operations	**2,549**	**433**
Weighted average number of ordinary shares in issue (in thousands)	**24,592,619**	**24,592,619**
Basic earnings per share (expressed in US cents per share) from continuing operations	**0.78**	**0.74**
Basic earnings per share (expressed in US cents per share) from discontinued operations	**0.01**	**0.00**

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: convertible debts and share options granted to employees. The dilution impact of share options granted are immaterial in the computation of dilutive earnings per share.

The convertible debt is assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Profit attributable to equity holders of the company from continuing operations	191,409	261,214
Interest expense on dilutive convertible loans	–	752
	191,409	261,966
Profit attributable to equity holders of the company from discontinued operations	2,549	433
Interest expense on dilutive convertible loans	–	–
	2,549	433
Weighted average number of ordinary shares in issue (in thousands)	24,592,619	24,592,619
Adjustment for dilutive convertible loans		226,865
Weighted average number of ordinary shares for diluted earnings per share (in thousands)	24,592,619	24,819,484
Dilutive earnings per share (expressed in US cents per share) from continuing operations	0.78	0.74
Dilutive earnings per share (expressed in US cents per share) from discontinued operations	0.01	0.00

17 Cash and balances with central banks

	31 Dec. 2019	31 Dec. 2018
Cash in hand	636,886	656,785
Balances with central banks other than mandatory reserve deposits	927,741	1,011,451
Included in cash and cash equivalents (Note 42)	**1,564,627**	**1,668,236**
Mandatory reserve deposits with central banks	1,264,686	1,129,181
	2,829,313	**2,797,417**

Mandatory reserve deposits are not available for use in the group's day-to-day operations. All balances are current.

18 Trading financial assets/financial assets held for trading

	2019	2018
Debt securities:		
• Government bonds	182,662	122,283
Total	**182,662**	**122,283**
Current	182,662	122,283
Non current	–	–
	182,662	**122,283**

19 Derivative financial instruments

The Group uses the following derivative instruments for non-hedging purposes.

Currency forwards represents commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or buy or sell foreign currency or financial institution on a future date at a specified price. The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange.

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Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rate (for example, fixed rate for floating rate). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value and the liquidity of the market.

	31 December 2019			31 December 2018		
		Fair Value Assets			Fair Value Assets	
Derivatives	Notional Amount	Assets	Liabilities	Notional Amount	Assets	Liabilities
Currency forwards	147,232	40,459	26,153	64,043	24,632	5,051
Currency swaps	288,450	25,000	25,102	288,213	25,282	24,856
Total	**435,682**	**65,459**	**51,255**	**352,256**	**49,914**	**29,907**

The Group has not designated at initial recognition any financial liability as at fair value through profit or loss.

All derivative financial instruments are current.

20 Loans and advances to banks

	2019	2018
Items in course of collection from other banks	64,238	46,884
Deposits with other banks (Note 42)	1,226,587	1,152,337
Placements with other banks	601,064	518,354
	1,891,889	**1,717,575**

All loans and advances to banks are current.

21 Loans and advances to customers

	31 December							
	CIB		Commercial		Consumer		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
a) Analysis by type:								
Overdrafts	1,060,015	892,806	430,407	294,653	74,039	86,788	1,564,461	1,274,247
Credit cards	–	–	–	–	3,450	3,101	3,450	3,101
Term loans	6,085,231	6,473,076	1,178,417	1,182,134	860,147	766,737	8,123,795	8,421,947
Mortgage loans	–	–	–		141,952	106,260	141,952	106,260
Others	–	–	–	1,654	–	–	–	1,654
Gross loans and advances	**7,145,246**	**7,365,882**	**1,608,824**	**1,478,441**	**1,079,588**	**962,886**	**9,833,658**	**9,807,209**
Less: allowance for impairment	(199,777)	(429,783)	(277,721)	(258,093)	(79,552)	(30,133)	(557,050)	(718,009)
	6,945,469	**6,936,099**	**1,331,103**	**1,220,348**	**1,000,036**	**932,753**	**9,276,608**	**9,089,200**
b) Analysis by security:								
Secured against real estate	2,122,400	1,079,901	627,441	579,504	161,266	212,701	2,911,107	1,872,106
Otherwise secured	3,879,607	5,141,114	900,941	823,003	274,248	302,897	5,054,796	6,267,014
Unsecured	1,143,239	1,144,867	80,441	75,934	644,074	447,288	1,867,755	1,668,089
	7,145,246	**7,365,882**	**1,608,824**	**1,478,441**	**1,079,588**	**962,886**	**9,833,658**	**9,807,209**
Current							6,096,868	6,092,890
Non current							3,736,790	3,714,319
							9,833,658	**9,807,209**
c) Analysis by performance								
Non-impaired	6,638,462	6,887,316	1,244,985	1,097,378	994,546	877,976	8,877,993	8,862,670
Impaired	506,784	478,566	363,839	381,063	85,042	84,910	955,665	944,539
	7,145,246	**7,365,882**	**1,608,824**	**1,478,441**	**1,079,588**	**962,886**	**9,833,658**	**9,807,209**

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(All amounts in thousands of US dollars unless otherwise stated)

21 Loans and advances to customers (continued)

d) Movements in loans and advances

Reconciliation of loans and advances by class is as follows:

At 31 December 2019

	CIB			Commercial			Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January	892,806	6,473,076	–	294,653	1,182,134	1,654	86,788	3,101	766,737	106,260	9,807,209
Disbursed during the period	1,187,282	3,168,186	31,394	279,768	952,790	89	28,463	3,201	483,095	183,069	6,317,337
Paid off during the period	(765,770)	(3,551,171)	(31,912)	(168,108)	(1,030,254)	(1,694)	(40,157)	(2,911)	(183,899)	(146,455)	(5,922,331)
Amounts written off as uncollectible		(163,773)									(163,773)
Reclassification	(123,320)	304,196	518	(17,835)	–	–	–	251	(166,130)	2,320	–
Exchange difference	(130,983)	(145,283)	–	41,929	73,747	(49)	(1,055)	(192)	(39,656)	(3,242)	(204,784)
At 31 December 2019	**1,060,015**	**6,085,231**	**–**	**430,407**	**1,178,417**	**–**	**74,039**	**3,450**	**860,147**	**141,952**	**9,833,658**

At 31 December 2018

	CIB			Commercial			Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
At 1 January	1,994,010	5,158,304	23,795	494,008	1,209,971	–	128,036	3,795	799,454	101,400	9,912,778
Disbursed during the year	1,479,039	2,193,034	10,462	113,269	580,947	1,654	24,578	2,961	912,839	250,753	5,569,536
Paid off during the year	(2,425,892)	(849,381)	(32,824)	(375,682)	(395,086)	–	(209,089)	(3,220)	(599,121)	(242,792)	(5,133,091)
Amounts written off as uncollectible	(564)	(225,408)	–	(23,636)	(137,651)	–	(6,116)	–	(8,917)	(37,582)	(439,874)
Reclassification	(89,483)	47,834	–	(42,665)	(167,455)	–	248,013	–	1,883	1,873	–
Exchange difference	(64,304)	148,693	(1,433)	129,359	91,408		(98,634)	(435)	(339,401)	32,608	(102,140)
At 31 December 2018	**892,806**	**6,473,076**	**–**	**294,653**	**1,182,134**	**1,654**	**86,788**	**3,101**	**766,737**	**106,260**	**9,807,209**

21 Loans and advances to customers (continued)

e) Allowance for impairment

Reconciliation of allowance account for losses on loans and advances by class is as follows:

At 31 December 2019

	CIB			Commercial			Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Specific impairment (stage 3)											
At 1 January	19,127	260,488	–	56,895	184,650	–	19,337	–	6,949	–	547,448
Provision for loan impairment	22,745	311,601	1,070	20,483	136,344	1,012	(5,686)	–	227,213	547	715,329
Provisions no longer required	(29,056)	(207,526)	(24,511)	(42,199)	(115,095)	–	(1,364)	–	(196,959)	(41)	(616,751)
Loans written off during the period	–	(163,773)	–	–	–	–	–	–	–	–	(163,773)
Reclassification	(6,283)	(70,130)	23,441	53,200	(35,028)	(1,012)	16,988	1,377	(30,057)	155	(47,351)
Exchange difference		(4,102)							(615)		(4,717)
At 31 December 2019	**6,533**	**126,558**	**–**	**88,379**	**170,871**	**–**	**29,275**	**1,377**	**6,531**	**661**	**430,185**

At 31 December 2019

	CIB			Commercial			Consumer				Total
	Overdrafts	Term loans	Others	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Mortgage	
Collective impairment (Stage 1 and 2)											
At 1 January	43,616	106,552	–	3,242	13,304	–	47,957	1,361	(46,445)	974	170,561
Provision for loan impairment	1,067	(3,447)	679	51,592	44,707	346	443	–	33,389	829	129,605
Provisions no longer required	(2,121)	(12,358)	(1,619)	(41,915)	(39,237)	(733)	(12,585)	–	(6,615)	(1,085)	(118,268)
Reclassification	(1,491)	12,476	(22,501)	(3,279)	48,991	1,399	4,072	(2,639)	10,466	(143)	47,351
Exchange difference	(5,128)	(72,480)	23,441	(9,640)	(49,294)	(1,012)	(630)	1,377	10,827	155	(102,384)
At 31 December 2019	**35,943**	**30,743**	**–**	**–**	**18,471**	**–**	**39,257**	**99**	**1,622**	**730**	**126,865**
Total allowance for impairment	**42,476**	**157,301**	**–**	**88,379**	**189,342**	**–**	**68,532**	**1,476**	**8,153**	**1,391**	**557,050**

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e) Allowance for impairment (continued)

At 31 December 2018

	CIB			Commercial				Consumer			Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Term loans	Mortgage	
Specific impairment (stage 3)											
At 1 January	22,499	158,836	210	43,334	–	107,974	–	2,207	50,073	90	385,223
IFRS 9 Day 1 impact	2,586	–	–	2,789	–	21,998	–	2,267	3,360	–	33,000
Provision for loan impairment	62,451	285,537	13,263	11,884	1,230	243,421	89	7,634	12,685	22	638,216
Provisions no longer required	(20,772)	(85,060)	(2,000)	–	(1,228)	(18,378)	(8,843)	–	(43,516)	(112)	(179,909)
Loans written off during the period	(23,694)	(248,984)	–	–	–	(167,195)	–	–	–	–	(439,873)
Reclassification	(23,568)	153,511	(11,473)	4	–	(271)	8,754	7,608	(14,775)	–	119,790
Exchange difference	(375)	(3,352)	–	(1,116)	–	(2,899)	–	(379)	(878)	–	(8,999)
At 31 December 2018	**19,127**	**260,488**	**–**	**56,895**	**2**	**184,650**	**–**	**19,337**	**6,949**	**–**	**547,448**

At 31 December 2018

	CIB			Commercial				Consumer			Total
	Overdrafts	Term loans	Others	Overdrafts	Credit cards	Term loans	Others	Overdrafts	Term loans	Mortgage	
Collective impairment (stage 1 and 2)											
At 1 January	22,556	89,553	27	18,108	–	12,880	–	44,947	(19,435)	1,055	169,691
IFRS 9 Day 1 impact	44,676	197,827	324	(2,673)	–	247	18	5,002	706	95	246,222
Provision for loan impairment	49,926	24,219	2,010	37,481	–	5,264	69	131,142	28	512	251,909
Provisions no longer required	–	(103,214)	(249)	(263,481)	–	(4,686)	(18)	–	(18,398)	(700)	(390,746)
Reclassification	(76,404)	(110,225)	(2,112)	213,532	–	(1,529)	(69)	(136,775)	(6,154)	(54)	(119,790)
Exchange difference	2,862	8,392	–	275	–	1,128	–	3,641	(3,192)	66	13,275
At 31 December 2018	**43,616**	**106,552**	**–**	**3,242**	**–**	**13,304**	**–**	**47,957**	**(46,445)**	**974**	**170,561**
Total allowance for impairment	**62,743**	**367,040**	**–**	**60,137**	**2**	**197,954**	**–**	**67,294**	**(39,496)**	**974**	**718,009**

21 Loans and advances to customers (continued)

f) Investment in finance leases

At 31 December	2019	2018
Loans and advances to customers include finance lease receivables analysed below.		
Gross investment in finance leases, receivable		
No later than 1 year	495	568
Later than 1 year and no later than 5 years	8,694	17,579
	9,189	**18,147**
Unearned future finance income on finance leases	(10)	(13)
Net investment in finance leases	**9,179**	**18,134**
Analysis by industry on gross loans		
The net investment in finance lease may be analysed as follows:		
No later than 1 year	495	568
Later than 1 year and no later than 5 years	8,684	17,566
	9,179	**18,134**

22 Treasury bills and other eligible bills

At 31 December	2019	2018
Maturing within three months (Note 42)	381,444	396,384
Maturing after three months	1,251,305	1,431,867
	1,632,749	**1,828,251**
Current	381,444	396,384
Non current	1,251,305	1,431,867
	1,632,749	**1,828,251**

Treasury bills and other eligible bills are debt securities issued by the government of various countries in which the Group operates.

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23 Investment securities

At 31 December	2019	2018
Debt securities		
• At FVTOCI listed	1,901,387	1,677,336
• At FVTOCI unlisted	2,793,413	2,886,267
Total	4,694,800	4,563,603
Equity securities		
• At FVTOCI unlisted	90	90
• At FVTPL listed	2,169	3,131
• At FVTPL unlisted	161,735	2,387
Total	163,994	5,608
Total investment securities before impairment	4,858,794	4,569,211
Allowance for impairment	(1,031)	(949)
Total investment securities	**4,857,763**	**4,568,262**
Current	718,487	357,041
Non current	4,139,276	4,211,221
	4,857,763	**4,568,262**

The movement in investment securities may be summarised as follows:

	2019	2018
At 1 January	4,568,262	4,405,240
Additions	2,911,125	1,684,041
Disposals (sale and redemption)	(2,570,480)	(1,314,559)
Losses from impairment of investment securities	23	585
Gains/(loss) from changes in fair value	60,667	(67,960)
Exchange differences	(111,834)	(139,085)
At 31 December	**4,857,763**	**4,568,262**

24 Pledged assets

At 31 December	2019	2018
Treasury bills	292,288	164,122
Government bonds	47,190	36,292
Eurobonds	12,000	40,020
	351,478	**240,434**
Pledged assets have been stated at fair values		
Current	106,597	36,274
Non-current	244,881	204,160
	351,478	**240,434**

25 Other assets

At 31 December	2019	2018
Fees receivable	9,302	9,850
Accounts receivable	738,616	599,818
Prepayments	156,458	165,124
Repossessed assets	170,389	–
Sundry receivables	236,368	105,510
	1,311,133	**880,302**
Impairment charges on receivable balances	(126,363)	(141,134)
	1,184,770	**739,168**
Current	1,078,996	700,405
Non-current	105,774	38,763
	1,184,770	**739,168**
The movement in impairment allowance on other assets may be summarised as follows:		
1 January	141,134	111,796
IFRS 9 Day 1 Impact	–	8,321
Increase in impairment	23,642	23,914
Write-off	(38,413)	(2,897)
At 31 December	**126,363**	**141,134**

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(All amounts in thousands of US dollars unless otherwise stated)

26 Investment in associates

At 31 December	2019	2018
At 1 January	6,147	9,964
Share of results	(776)	(2,512)
Derecognition of Old Mutual Life Insurance	(1,657)	–
Exchange differences	(50)	(1,305)
At 31 December	**3,664**	**6,147**

Investment in associates balances are non-current.

	At 31 December 2019			At 31 December 2018				
	OLD MUTUAL General insurance	EB-ACCION Cameroon	Accion Microfinance Bank Ltd (Nigeria)	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Ghana	EB-ACCION Cameroon	EB-ACCION Nigeria
Current assets	18,078	12,863	30,761	18,625	21,306	15,982	12,078	28,263
Non-current assets	88	515	3,238	133	141	424	711	2,097
Total assets	**18,166**	**13,378**	**33,999**	**18,758**	**21,447**	**16,406**	**12,789**	**30,360**
Liabilities	9,297	11,968	19,249	12,772	16,056	14,173	12,313	11,082
Total liabilities	**9,297**	**11,968**	**19,249**	**12,772**	**16,056**	**14,173**	**12,313**	**11,082**
Revenues	2,604	2,709	15,503	1,074	3,985	7,314	176	15,583
Profit after tax	383	(320)	2,895	(5,205)	(5,105)	623	124	3,588

None of the associates are listed. There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. These associates are strategic to the Group. The ACCION entities are microfinance banks while the Old Mutual entity is in general insurance business.

	At 31 December 2019			At 31 December 2018		
	Principal place of business/Country of incorporation	Net assets of associates	Share Holding (Direct and Indirect)	Country of incorporation	Net assets of associate	Share Holding (Direct and Indirect)
EB-ACCION Ghana	Ghana			Ghana	2,232	39.78%
EB-ACCION Cameroon	Cameroon	1,410	49.87%	Cameroon	477	49.87%
Accion Microfinance Bank Ltd (Nigeria)	Nigeria	14,750	21.73%	Nigeria	19,278	21.73%
OLD MUTUAL Life insurance	Nigeria			Nigeria	5,985	29.00%
OLD MUTUAL General insurance	Nigeria	8,869	30.00%	Nigeria	5,391	30.00%

Reconciliation of summarised financial information to the carrying amount of its interests in associates.

At 31 December 2019	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Nigeria	EB-ACCION Ghana	EB-ACCION Cameroon	Total
Opening net assets	The entity is no longer an associate of Ecobank. As a result of a share capital increase of the entity and consequently a reduction of the ETI shareholding.	5,391	19,278	The entity is no longer an associate but a full subsidiary as a result of an acquisition. See Note 46.	477	25,146
Profit / (loss) for the period		383	2,895		(320)	2,958
Exchange differences		3,095	(7,424)		1,254	(3,075)
Closing net assets		**8,869**	**14,750**		**1,410**	**25,029**
Interest in associates		2,661	3,205		703	6,569
Notional goodwill						
Carrying value						

At 31 December 2018	OLD MUTUAL Life insurance	OLD MUTUAL General insurance	EB-ACCION Nigeria	EB-ACCION Ghana	EB-ACCION Cameroon	Total
Opening net assets	9,314	12,772	13,268	2,685	1,847	39,886
Profit/(loss) for the year	(5,205)	(5,105)	3,588	623	124	(5,975)
Exchange differences	1,877	(2,276)	2,422	(1,075)	(1,495)	(547)
Closing net assets	**5,985**	**5,391**	**19,278**	**2,232**	**477**	**33,363**
Interest in associates	1,736	1,617	4,189	888	238	8,668
Notional goodwill	239	–	4,144	(1,155)	34	3,261
Carrying value	**1,497**	**1,618**	**45**	**2,043**	**204**	**5,407**

27 Intangible assets

At 31 December	2019	2018
Goodwill		
At 1 January	199,105	232,683
Exchange differences	(7,471)	(33,578)
At 31 December	**191,634**	**199,105**

Goodwill is tested annually for impairment, or more frequently when there are indications that impairment may have occurred. There was no impairment identified in 2019 (2018: nil).

Software costs		
At 1 January	79,229	50,981
Purchase	58,369	21,471
Amortisation (Note 12)	(20,360)	(19,903)
Exchange differences	1,102	26,680
At 31 December	**118,340**	**79,229**
Total intangible assets	**309,974**	**278,334**

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill acquired through business combinations is allocated to cash-generating units (CGUs). The recoverable amounts of the CGUs have been determined based on the value-in-use calculations; using cash flow projections based on the financial budgets approved by senior management covering a period of three years.

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27 Intangible assets (continued)

The goodwill is arising on acquisitions of the following subsidiaries:

At 31 December	2019	2018
Ecobank Nigeria (Oceanic Bank)	168,645	168,886
Ecobank Ghana (The Trust Bank)	7,298	8,384
Ecobank Rwanda	4,116	4,319
Ecobank Zimbabwe	390	6,550
SOFIPE	4,396	4,481
Ecobank Chad	2,621	2,671
Ecobank Central Africa	1,613	1,644
Ecobank Burundi	997	1,037
Ecobank Sierra Leone (ProCredit)	425	492
Ecobank Malawi	133	134
Ecobank Burkina Faso	497	507
Pan African Savings and Loans(*)	503	–
	191,634	**199,105**

(*) Goodwill on acquisition date of Pan African Savings and Loans (Ghana) was $514,000. The balance as at 31 December 2019 was as a result of exchange rate movement.

The calculation of value-in-use was based on the following key assumptions:

At 31 December	2019		2018	
	Discount factor	Long term growth rate	Discount factor	Long term growth rate
Ecobank Nigeria (Oceanic Bank)		2.10%		0.50%
Ecobank Ghana (The Trust Bank)		7.20%		6.10%
Ecobank Rwanda		7.35%		6.05%
Ecobank Zimbabwe		0.40%		1.90%
SOFIPE		6.60%		6.10%
Ecobank Chad	12.69%	-0.20%	11.32%	0.00%
Ecobank Central Africa		5.00%		4.42%
Ecobank Burundi		1.10%		-0.05%
Ecobank Sierra Leone (ProCredit)		3.65%		5.00%
Ecobank Malawi		3.75%		3.25%
Ecobank Burkina Faso		6.60%		6.10%
Pan African Savings and Loans		7.20%		

1. The cash flows were projected based on the Group's approved budget. The cash flows were based on past experiences and were adjusted to reflect expected future performances of the company taking into consideration the country's gross domestic product.
2. A terminal growth rate of between -0.05% and 6.1% was applied in determining the terminal cash flows depending on the country the entity is domiciled.
3. Discount rate averaging 12.69%, representing post-tax weighted average cost of capital (WACC), was applied in determining the value in use. The growth rate used to extrapolate terminal cash flows for goodwill impairment testing is consistent with long term average growth rate for industry and countries.
4. The Group expects that through this acquisition, it would create synergy that enhances its ability to tap into opportunities in the respective countries where the entities are domiciled;
5. The key assumptions described above and summarised below may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of either CGU to decline below the carrying amount.

28 Property and equipment

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Construction in progress	Total
At 1 January 2018						
Cost or Valuation	72,834	677,911	415,347	160,909	162,841	1,489,842
Accumulated depreciation	54,342	118,316	293,210	99,811	–	565,679
Net book amount	**18,492**	**559,595**	**122,137**	**61,098**	**162,841**	**924,163**
Year ended 31 December 2018						
1 January	18,492	559,595	122,137	61,098	162,841	924,163
Additions	4,417	83,500	92,260	6,864	13,904	200,945
Revaluation	–	(643)	–	–	–	(643)
Disposals – cost	(116,132)	(73,796)	(465,752)	(365,676)	(15,150)	(1,036,506)
Disposals – accumulated depreciation	65,022	6,243	383,888	359,204	(77)	814,280
Reclassifications – cost	(516)	249	1,586	375	(2,323)	(629)
Reclassifications – accumulated depreciation	43	(50)	647	262	(273)	629
Depreciation charge	(7,600)	(15,487)	(41,851)	(12,603)	–	(77,541)
Exchange rate adjustments	46,547	(49,770)	27,785	(2,879)	(19,216)	2,467
31 December 2018	**10,273**	**509,841**	**120,700**	**46,645**	**139,706**	**827,165**
At 31 December 2018/1 January 2019						
Cost or Valuation	51,384	625,641	423,800	152,502	139,706	1,393,033
Accumulated depreciation	41,111	115,800	303,100	105,857	–	565,868
Net book amount	**10,273**	**509,841**	**120,700**	**46,645**	**139,706**	**827,165**
Year ended 31 December 2019						
1 January	10,273	509,841	120,700	46,645	139,706	827,165
Additions	5,822	237,111	98,590	57,716	7,128	406,367
Revaluation	–	11,398	–	–	–	11,398
Disposals – cost	(6,207)	(170,995)	(94,363)	(49,199)	(26,695)	(347,459)
Disposals – accumulated depreciation	6,077	21,764	23,559	3,648	107	55,155
Reclassifications – cost	(9)	(6,586)	(131)	6,669	57	–
Reclassifications – accumulated depreciation	(9)	(6,586)	(131)	6,669	57	–
Depreciation charge	(5,535)	(20,621)	(30,579)	(10,171)	–	(66,906)
Exchange rate adjustments	(367)	(36,364)	(8,415)	(7,580)	(1,812)	(54,538)
31 December 2019	**10,045**	**538,962**	**109,230**	**54,397**	**118,548**	**831,182**
At 31 December 2019						
Cost	50,624	681,250	421,302	156,762	118,548	1,428,486
Accumulated depreciation	40,579	142,288	312,072	102,365	–	597,304
Net book amount	**10,045**	**538,962**	**109,230**	**54,397**	**118,548**	**831,182**

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(All amounts in thousands of US dollars unless otherwise stated)

28 Property and equipment (continued)

Land and buildings are measured using the revaluation model. The valuation of land and buildings has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset). There has been no change in the valuation techniques used in the valuation of the land and buildings. The valuation of the Group's land and buildings was performed by independent valuers to determine the fair value of the land and buildings as at 31 December 2019. The fair values are derived by applying internationally acceptable and appropriately benchmarked valuation techniques such as depreciated replacement cost or market value approach. The depreciated replacement cost approach involves estimating the value of the property in its existing use and the gross replacement cost. For this, appropriate deductions are made to allow for age, condition and economic or functional obsolescence, environmental and other factors that might result in the existing property being worth less than a new replacement. The market value approach involves comparing the properties with identical or similar properties, for which evidence of recent transaction is available or alternatively identical or similar properties that are available in the market for sale making adequate adjustments on price information to reflect any differences in terms of actual time of the transaction, including legal, physical and economic characteristics of the properties.

The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in 'revaluation reserve – property and equipment' in shareholders equity (Note 40).

If land and buildings were stated at historical costs, the amounts would be as follows:

At 31 December	2019	2018
Cost	1,295,536	889,169
Accumulated depreciation	284,632	217,726
Net book amount	**1,010,904**	**671,443**

29 Right-use-assets

Right-of-use assets

Property, plant and equipment comprise leased assets that do not meet the definition of investment property. They are right-of-use assets, included in the Property, plant and equipment line items, over the following :

	2019
Motor Vehicles	778
Land & Buildings	86,672
Furniture & Equipment	2,254
Installations	41
	89,745

Additional information on the right-of-use assets by class of assets is as follows:

	Motor Vehicles	Land & Buildings	Furniture & Equipment	Installations	Total
At 1 January					
Additions	953	109,837	2,684	60	113,534
Depreciations	(175)	(23,165)	(430)	(19)	(23,789)
Exchange rate adjustments					
At 31 December 2019	**778**	**86,672**	**2,254**	**41**	**89,745**

30 Investment property

At 31 December	2019	2018
1 January	29,787	43,514
Additions	4,222	10,481
Fair value gains	–	(1,077)
Disposal	(12,047)	(22,604)
Exchange rate adjustments	(252)	(527)
At 31 December	**21,710**	**29,787**

The following amounts have been recognised in the income statement:

Rental income	407	349
Direct operating expenses arising from investment properties that generate rental income	(78)	(77)
Fair value		–
	329	**272**

Investment properties are carried at fair value. The valuation of investment properties has been done using the level 2 technique (inputs other than quoted prices that are observable for the asset or liability). There has been no change in the valuation techniques used in the valuation of the investment properties. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value are derived using the sales comparison approach where the main inputs in the determination of the fair value are recent land sales or asking prices for similarly sized plots in the immediate vicinity of the investment property. In certain cases, due to the unavailability of similar large land size traded in the immediate property market, the valuers subdivided the entire land area into smaller plots; allowing for circulation and infrastructure and applying an adjusted sales price per plot to arrive at a gross sales price that was further discounted at 30% to reflect what a single purchaser will be willing to pay. In certain circumstances further adjustments are also done on the basis of quality of title and location.

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31 Assets held for sale and discontinued operations

The assets and liabilities of Union Bank of Cameroon (UBC) have been classified as held for sale in line with IFRS 5 *Non current Assets Held for Sale and Discontinued Operations*. UBC was acquired as part of the Oceanic transaction in 2011 but was deemed as non-core to ETI's operations. Regulatory approval has been obtained for the sale and it is expected to be completed during 2020. UBC is classified under 'others' in the segment reporting. The assets and performance reviewed by the CODM does not include assets held for sale.

At 31 December	2019	2018
a) Assets held for sale		
Cash and balances with central banks	2,991	4,125
Treasury bills and other eligible bills	40,811	56,252
Loans and advances to banks	234	885
Loans and advances to customers	8,311	10,382
Investment securities	30,520	15,840
Intangible assets	13	24
Property and equipment	1,322	1,531
Other assets	1,338	1,036
	85,539	**90,075**
b) Liabilities classified as held for sale		
Due to customers	98,615	97,322
Other liabilities	7,801	19,460
Retirement benefit obligation	989	883
Deferred income tax liabilities	187	191
	107,592	**117,856**
c) Profit from discontinued operations		
Revenue	8,624	7,330
Costs	(3,904)	(6,529)
Profit before tax of discontinued operations	4,720	801
Profit from discontinued operations after tax	4,720	801
	4,720	**801**
Profit attributable to:		
Owners of the parent	2,549	433
Non controlling interests	2,171	368
	4,720	**801**
Cash flow statement		
Cash flow used in operating activities	(307)	(6,345)
Cash flow from investing activities	(28)	2,387
Total cash flows	**(335)**	**(3,958)**

32 Deposits from other banks

At 31 December	2019	2018
Operating accounts with banks	612,892	1,075,102
Other deposits from banks	1,594,701	390,544
	2,207,593	**1,465,646**

All deposits from banks are current and have variable interest rates.

33 Deposit from customers

At 31 December	2019	2018
CIB		
• Current accounts	5,078,619	5,365,450
• Term deposits	2,105,570	1,981,644
	7,184,189	7,347,094
Commercial		
• Current accounts	2,840,124	2,717,251
• Term deposits	628,759	563,376
• Savings deposits	87,930	66,013
	3,556,813	3,346,640
Consumer		
• Current accounts	1,899,004	1,827,687
• Term deposits	840,588	836,058
• Savings deposits	2,765,526	2,578,520
	5,505,118	5,242,265
Total	**16,246,120**	**15,935,999**
Current	14,837,565	15,287,496
Non current	1,408,555	648,503
	16,246,120	**15,935,999**

Customer deposits carry variable interest rates.

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(All amounts in thousands of US dollars unless otherwise stated)

33 Deposit from customers (continued)

Customer deposits carry variable interest rates.

At 31 December 2019	CIB		Commercial			Consumer			Total
	Current account	Term deposits	Current account	Term deposits	Savings	Current account	Term deposits	Savings	
At 1 January	5,365,450	1,981,644	2,717,251	563,376	66,013	1,827,687	836,058	2,578,520	15,935,999
Additions	1,840,743	627,362	793,207	178,835	30,023	358,156	141,484	665,181	4,634,991
Withdrawals	(1,717,592)	(389,064)	(835,629)	(184,909)	(3,689)	(203,950)	(124,669)	(412,410)	(3,871,912)
Exchange difference	(409,982)	(114,372)	165,295	71,457	(4,417)	(82,889)	(12,285)	(65,765)	(452,958)
At 31 December 2019	**5,078,419**	**2,105,570**	**2,840,124**	**628,759**	**87,930**	**1,899,004**	**840,588**	**2,765,526**	**16,246,120**

At 31 December 2018	CIB		Commercial			Consumer			Total
	Current account	Term deposits	Current account	Term deposits	Savings	Current account	Term deposits	Savings	
At 1 January	4,970,428	2,021,545	2,390,924	610,225	65,103	1,705,752	854,232	2,585,062	15,203,271
Additions	1,786,981	601,085	1,378,651	88,038	10,738	337,170	99,801	300,484	4,602,948
Withdrawals	(1,499,115)	(700,824)	(1,089,224)	(78,926)	(3,568)	(299,743)	(49,785)	(348,669)	(4,069,854)
Exchange difference	107,156	59,838	36,900	(55,961)	(6,260)	84,508	(68,190)	41,643	199,634
At 31 December 2018	**5,365,450**	**1,981,644**	**2,717,251**	**563,376**	**66,013**	**1,827,687**	**836,058**	**2,578,520**	**15,935,999**

34 Borrowed funds

At 31 December		2019	2018
a	Eurobond ETI	500,900	–
b	African Development Bank (AfDB)	318,475	317,199
c	Eurobond Nigeria	–	256,575
d	Deutsche Bank	249,587	249,160
e	TMFG Services UK Limited	–	199,004
f	FMO	180,004	199,585
g	Qatar National Bank	152,643	151,943
h	Bank of Industry of Nigeria (BOI)	59,741	79,763
i	PIC (Public Investment Corporation)	–	88,959
j	A/B Syndicated Subordinated Term Facility	79,652	76,958
k	European Investment Bank	21,056	36,201
l	Societe de Promotion et Participation pour la Coopération Economique (PROPARCO)	26,691	38,639
m	Nigeria Sovereign Investment Authority -- NSIA	71,284	56,807
n	OPEC Fund for International Development (OFID)	–	8,571
o	Central Bank of Nigeria	40,779	–
p	Caisse Régionale de Refinancement Hypothécaire (CRRH)	5,762	7,146
q	Belgium Investment Company for Developing countries (BIO)	–	3,347
r	Government Bonds (Ivory Coast)	2,296	4,586
	Lease liability	125,107	–
	Other loans	241,024	285,247
		2,075,001	**2,059,690**
	Current	500,626	471,203
	Non current	1,574,375	1,588,487
		2,075,001	**2,059,690**

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(All amounts in thousands of US dollars unless otherwise stated)

a) ETI issued a USD 500 million 9.5% Senior Unsecured Eurobond (Reg S and 144A) in 2019 with a maturity date of 18 April 2024. An initial issuance of USD 450 million in April 2019 was followed by a tap issuance of USD 50 million in July 2019. The proceeds are for ETI's general corporate purposes.

b) The African Development Bank (AfDB) granted a line of credit of USD 310 million for on-lending to affiliates. USD 210 million was disbursed on 20 December 2016 and USD 100 million on 24 August 2018. The facility is to be repaid in two equal instalments in February 2020 and June 2020.

c) Ecobank Nigeria issued USD 250 million of 8.5% Fixed Rate Subordinated Tier 2 Notes with a tenor of 7 years. The notes were redeemed on the early redemption date of 14 August 2019.

d) Deutcshe Bank purchased USD 250 million of ETI's convertible bond on 5 September 2017 with a 5 year tenor maturing on 5 September 2022. This is held by the Public Investment Corporation (PIC).

e) ETI obtained a one year syndicated term loan of USD 200 million on 12 November 2018, with TMF Global Services UK Limited as facility agent. The facility was repaid on 15 May 2019.

f) A group of development finance institutions led by the Netherlands Development Finance Company (FMO) disbursed facilities for on-lending to affiliates on 30 August 2018. EUR 42 million matures on 10 January 2025, USD 50 million matures on 10 January 2025, and USD 100 million matures on 10 January 2023.

g) Qatar National Bank purchased USD 148.89 million of ETI's convertible bond, together with Convertible Bond Investment Company Mauritius' participation of USD 1.11 million on 19 October 2017 for a tenor of 5 years maturing on 19 October 2022.

h) Central Bank of Nigeria intervention funds were on-lent to some of Ecobank Nigeria's customers in the manufacturing sector through the Bank of industry (BOI). The maximum tenor of the facility is 15 years.

i) The Public Investment Corporation (PIC) placed a 3-year deposit with ETI for USD 98.8 million on 29 December 2016. USD 10 million was pledged out of the principal, leaving a net amount of USD 88.8 million as at December 2018. The deposit was repaid upon maturity in December 2019.

j) The US 75 million Syndicated Subordinated Term Facility was obtained by Ecobank Nigeria in 2015 from FMO. The maturity date is 15 January 2022.

k) European Investment Bank granted a facility to ETI for on-lending to affiliates. USD 40 million was disbursed on 6 July 2015. The funds received were on-lent to the following affiliates: eProcess, Ecobank Tanzania, Ecobank Rwanda, and ETI Holding. The final repayment date will be 6 July 2022.

l) The PROPARCO II loan is used to support development of the Ecobank Group. The contract was signed in November 2013 and the final repayment date is April 2024.

m) Nigeria Sovereign Investment Authority (NSIA) granted some facilities to Ecobank Nigeria through ETI: USD 31.1 million on 4 October 2018 maturing on 4 April 2020; USD 25.7 million on 7 December 2018 maturing on 20 January 2020; USD 20.8 million on 7 December 2018 matured on 7 November 2019; and USD 12 million on 12 September 2019 maturing on 20 March 2020.

n) OPEC Fund for International Development (OFID) granted a USD 30 million convertible subordinated loan in 2016. Subsidiaries that benefitted from this loan are Ecobank Senegal, Ecobank Cameroon, Ecobank Kenya and Ecobank Côte d'Ivoire. This borrowing was paid down upon maturity in July 2019.

o) Central Bank of Nigeria loan represents 7-year intervention funds for on-lending to a customer of Ecobank Nigeria in the agricultural sector.

p) Caisse Régionale de Refinancement Hypothécaire (CRRH) loans to Ecobank Cote d'Ivoire and Ecobank Senegal are repayable over 10 years from 2014.

q) PROPARCO & Belgium Investment Company for Developing Countries (BIO) granted a loan of USD 51 million to ETI in June 2012. The loan was used to support technological development programmes of ETI affiliates. The borrowing was paid down upon maturity in October 2019.

r) Government Bonds (Ivory Coast) are bonds issued by Ecobank Côte d'Ivoire with an interest rate of 6.5%. The borrowing is maturing in 2020.

34 Borrowed funds (continued)

Analysis of the convertible loans

The convertible loans are presented in the consolidated statement of financial position as follows:

Name of Institution	Contract interest	Effective interest rate	Tenor (Years)	Face value	Amount
OPEC Fund for International Development (b)	4.75% + 6 months Libor	7.57%	8	30,000	8,872
Deutsche AG (see note e)	6.46% + 3 month LIBOR	9.37%	5	250,000	249,160
Qatar National Bank (see note e)	6.46% + 3 month LIBOR	9.35%	5	148,890	151,943
CBICMU (see note e)	6.46% + 3 month LIBOR	16.51%	5	1,110	915
				430,000	**410,890**

	2019	2018
Initial recognition:		
• Face value of convertible bond issued	430,000	417,629
• Equity conversion component net of deferred tax liability (Note 39)	–	(7,779)
Liability component	**430,000**	**409,850**
Summary of subordinated loans		
European Investment Bank (II)	–	–
OPEC Fund for International Development	–	8,872
	–	**8,872**

Interest on the convertible loan is calculated on the effective yield basis by applying the effective interest rate for an equivalent non-convertible loan to the liability component of the convertible loan and for the year ended 31 December 2019 amounted to $403.1 million (2018: $410.8 million). The actual interest paid in 2019 was $35.4 million (2018: $32.2 million).

Lease liabilities

Maturity analysis - contractual undiscounted cash flows	2019
Less than one year	36,791
One to five years	18,516
More than five years	69,800
Total undiscounted lease liabilities at 31 December	**125,107**
Lease liabilities included in borrowings at 31 December	
Current	36,791
Non current	88,316
	125,107

Borrowed funds movement

Borrowed funds movement	2019	2018
At 1 January	2,059,690	1,728,756
Additions	686,359	440,958
Repayments	(671,050)	(110,024)
At 31 December	**2,074,999**	**2,059,690**

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34 Borrowed funds (continued)

Debt covenants

The company has obtained waivers and, in some cases, has amended certain financial covenants in respect of technical breaches of certain financial covenants stipulated in its existing loan agreements that require the company at a Group level to maintain (either on an ongoing basis or periodically as at particular dates) certain financial ratios. The financial ratios that were breached relate solely to the maintenance of some combination (as specified in each facility) of a prescribed non-performing loan ratio, non-performing loan coverage ratio, total capital adequacy ratio, Tier 1 capital adequacy ratio, Tier 1 capital/total capital, open exposure ratio, and/or government assets ratio.

None of the technical breaches related to a default under any of the company's existing loan agreements during the reporting period of any payment of principal, interest, sinking fund or redemption amount. None of the technical breaches resulted in any of the lenders demanding accelerated repayment, nor in the renegotiation of the maturity period of any of the loans. Some of the waivers and amendments cover part or all of the reporting period.

As at 31 December 2019, the company benefitted from one waiver. It covered technical breaches in respect of periods during the 2019 financial year and was executed on the term facilities agreement between the company, as borrower, and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO). As at 31 December 2019, US$133,333,333 and EUR38,500,000 were outstanding under the facility and the facility is scheduled to mature on 10 January 2025.

If, prior to maturity, the company is unable to comply with any relevant financial covenant going forward, the company plans to obtain additional waivers or amendments to the relevant loan agreements prior to the expiration period of the waivers.

35 Other liabilities

At 31 December	2019	2018
Accrued income	64,477	57,154
Unclaimed dividend	4,144	3,567
Accruals	202,518	380,403
Obligations under customers' letters of credit	68,482	28,896
Bankers draft	27,929	61,303
Accounts payable	51,830	143,447
Others	426,590	321,787
	845,970	**996,557**

Other liabilities are expected to be settled within no more than 12 months after the reporting date.

36 Provisions

	2019	2018
At 1 January	52,979	52,450
Additional provisions charged to income statement	27,013	18,203
Provision no longer required	(501)	402
Utilised during year	(14,493)	(17,033)
Exchange differences	3,484	(1,043)
At 31 December	**68,482**	**52,979**

Provisions represent amounts provided for in respect of various litigations pending in court. Based on professional advice, the amounts for pending litigations have been set aside to cover the expected losses to the Group on the determination of these litigations.

37 Deferred income taxes

Deferred income taxes are calculated using substantively enacted tax rate of each subsidiary.

The movement on the deferred income tax account is as follows:

	2019	2018
At 1 January	(63,616)	(57,446)
Income statement charge	8,403	(4,702)
Investment securities directly in OCI:		
• fair value remeasurement	1,852	(2,695)
Revaluation of property and equipment (directly in OCI)	9,444	(4,342)
Exchange differences	(4,951)	5,569
At 31 December	**(48,868)**	**(63,616)**
Deferred income tax assets and liabilities are attributable to the following items:		
Deferred income tax liabilities		
Accelerated tax depreciation	2,832	1,030
Investment securities	1,819	1,927
Revaluation of property and equipment	43,573	34,444
Provision for loan impairment (recovery)	9,189	14,387
Other temporary differences	10,143	3,311
	67,556	**55,099**

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(All amounts in thousands of US dollars unless otherwise stated)

37 Deferred income taxes (continued)

	2019	2018
Deferred income tax assets		
Pensions and other post retirement benefits	547	272
Provisions for loan impairment	10,323	19,081
Other provisions	10,684	16,606
Tax loss carried forward	40,612	37,282
Other temporary differences	48,800	37,728
On utilised capital allowances	831	844
On revaluation PPE	–	315
Investment securities	4,627	6,587
	116,424	**118,715**
Deferred tax liabilities		
• To be recovered within 12 months	62,960	53,805
• To be recovered after more than 12 months	4,596	1,294
	67,556	**55,099**
Deferred tax assets		
• To be recovered within 12 months	86,818	96,507
• To be recovered after more than 12 months	29,606	22,208
	116,424	**118,715**
The deferred tax charge in the income statement comprises the following temporary differences:		
Accelerated tax depreciation	1,802	(671)
Provision for loan impairment (recovery)	(5,198)	53
Pensions and other post retirement benefits	(275)	(70)
Allowances for loan losses	8,758	1,444
Other provisions	5,922	(6,213)
Tax losses carry forward	(3,330)	5,954
Other temporary differences	6,832	216
Exchange differences	(6,108)	(5,415)
	8,403	**(4,702)**

37 Deferred income taxes (continued)

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

Income tax effects relating to components of other comprehensive income:

	31 Dec. 2019			31 Dec. 2018		
	Gross	Tax	Net	Gross	Tax	Net
Fair value gains/loss on investment securities	60,483	(1,468)	59,015	(143,922)	2,695	(141,227)
Revaluation gains/(loss) on property and equipment	11,398	(1,083)	10,315	(643)	(4,342)	(4,985)
	71,881	**(2,551)**	**69,330**	**(144,565)**	**(1,647)**	**(146,212)**

38 Retirement benefit obligations

Other post-retirement benefits

Apart from the pension schemes, the Group operates a post employment gratuity payment scheme. The method of accounting and the frequency of valuations are as described in Note 2.20. The Group operates a post employment gratuity payment scheme. The amounts recognised in the statement of financial position are as follows:

	2019	2018
Present value of funded obligations	22,444	39,168
Fair value of plan assets	(15,077)	(48,667)
	7,367	**(9,499)**
Present value of unfunded obligations	23,715	13,395
Liability in the statement of financial position	**31,082**	**3,896**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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38 Retirement benefit obligations (continued)

In 2019, the movement in the defined benefit obligation over the year is as follows:

	31 December 2019			31 December 2018		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
At 1 January	**52,563**	**(48,667)**	**3,896**	**71,353**	**(47,289)**	**24,064**
Current service cost	4,708		4,708	3,325	–	3,325
Interest expense and income	2,628	754	3,382	3,432	(2,364)	1,068
	7,336	754	8,090	6,757	(2,364)	4,393
Remeasurements						
Return on plan assets		(3,407)	(3,407)	–	(3,525)	(3,525)
Actuarial (gain)/losses	(3,154)		(3,154)	(4,637)	232	(4,405)
	(3,154)	(3,407)	(6,561)	(4,637)	(3,293)	(7,930)
Exchange difference	(5,222)	2,546	(2,676)	(16,971)	2,683	(14,288)
Contributions	4,936	3,600	8,536	–	6,233	6,233
Benefit payments	(4,500)	30,097	25,597	(3,939)	(4,637)	(8,576)
At 31 December	**51,959**	**(15,077)**	**36,882**	**52,563**	**(48,667)**	**3,896**

The defined benefit obligation and plan assets are composed by regions/countries as follows :

	31 December 2019					31 December 2018				
	Nigeria	ETI	UEMOA/ CEMAC	Others	Total	Nigeria	ETI	UEMOA/ CEMAC	Others	Total
Present value obligation	4,936	23,715	15,614	1,894	46,159	21,334	13,395	13,978	3,856	52,563
Fair value of plan assets	–		(15,077)		(15,077)	(30,097)	–	(18,570)	–	(48,667)
Total liability	4,936	23,715	537	1,894	31,082	(8,763)	13,395	(4,592)	3,856	3,896

38 Retirement benefit obligations (continued)

Income tax effects relating to components of other comprehensive income

At 31 December	2019	2018
The amounts recognised in the income statement are as follows:		
Current service cost	4,708	3,325
Net interest cost	2,628	3,432
Total included in staff costs	7,336	6,757
Other Comprehensive Income		
Actuarial gain/(losses) on obligations	781	1,143
Actuarial gain/(losses) on plan assets	121	231
	901	**1,374**

As the plan assets include significant investments in government bonds, the Group is also exposed to interest rate risks and impact of changes monetary policies on bond yields. The defined benefit plan does not have any significant impact on the Group's cash flows.

The net actuarial gain on the fair value of plan assets arose as a result of the actual returns on the assets being greater than the calculated expected return on assets.

Plan assets are comprised as follows:

	31 December 2019				31 December 2018			
	%	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total
Cash	14%	–	–	2,176	36%	–	17,507	17,507
Equity instruments	0.05%	8	–	8	–	–	–	–
Debt instruments (Bonds)	86%	10,328	2,567	12,895	64%	31,160	–	31,160
	100%	**10,336**	**2,567**	**15,079**	**100%**	**31,160**	**17,507**	**48,667**

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

The principal assumptions used for ETI and the subsidiaries operating in UEMOA region were as follows:

	ETI		UEMOA	
	2019	2018	2019	2018
Discount rate	5.5%	5.5%	4%	4%
Expected return on plan assets	4.45%	4.85%	1.8%	1.8%
Future salary increases	1.80%	1.80%	2%	2%

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38 Retirement benefit obligations (continued)

Sensitivity analysis on actuarial assumptions for ETI	Increase in assumption by 1%	Liability changes to	Decrease in assumption by 1%	Liability changes to
Discount rate	Decrease in the liability by 2%	17,805	Increase in the liability by 8%	19,586
Exit rate	Decrease in the liability by 9%	16,523	Increase in the liability by 13%	20,412
Dismissal rate	Increase in the liability by 10%	19,856	Decrease in the liability by 9%	16,455

Sensitivity analysis on actuarial assumptions for UEMOA	Increase in assumption by 1%	Liability changes to	Decrease in assumption by 1%	Liability changes to
Discount rate	Decrease in the liability by 6.1%	20,026	Increase in the liability by 6.9%	22,789
Exit rate	Increase in the liability by 7.5%	22,927	Decrease in the liability by 6.1%	20,016
Dismissal rate	Increase in the liability by 0.5%	21,430	Decrease in the liability by 0.4%	21,228

The Group also operates a defined contribution plan. For the defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. There were no outstanding contributions due at the end of the year.

39 Contingent liabilities and commitments

a) Legal proceedings

The Group is a party to various legal actions arising out of its normal business operations. The Directors believe that, based on currently available information and advice of counsel, none of the outcomes that result from such proceedings will have a material adverse effect on the financial position of the Group, either individually or in the aggregate. The amounts that the directors believe will materialise are disclosed in Note 36.

b) Capital commitments

At 31 December 2019, the Group had capital commitments of $5.2m (December 2018: $5.9m) in respect of buildings and equipment purchases. The Group's management is confident that future net revenues and funding will be sufficient to cover this commitment.

c) Loan commitments, guarantee and other financial facilities

At 31 December 2019 the Group had contractual amounts of the off-statement of financial position financial instruments that commit it to extend credit to customers guarantees and other facilities as follows:

	2019	2018
Guaranteed commercial papers and banker acceptances	136,357	342,181
Documentary and commercial letters of credit	1,308,351	1,631,689
Performance bond, guarantees and indemnities	1,759,919	2,366,343
Loan commitments	452,255	1,221,440
	3,656,882	**5,561,653**

d) Tax exposures

The Group is exposed to ongoing tax reviews in some subsidiary entities. The Group considers the impact of tax exposures, including whether additional taxes may be due. This assessment relies on estimates and assumptions and may involve series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made. The total amount of tax exposure as at 31 December 2019 is $150 million (December 2018: $80 million). Based on the Group's assessment, the probable liability is not likely to exceed $9 million (December 2018: $7 million) for which provisions have been made in the books in Note 36.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

40 Share capital

	No of shares ('000)	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2018	**24,607,639**	**618,254**	**1,499,145**	**(3,443)**	**2,113,957**
Treasury shares	(15,020)	–	–	–	–
At 31 December 2018/ 1 January 2019	**24,592,619**	**618,254**	**1,499,145**	**(3,443)**	**2,113,957**
Treasury shares	–	–	–	–	–
At 31 December 2019	**24,592,619**	**618,254**	**1,499,145**	**(3,443)**	**2,113,957**

The total authorised number of ordinary shares at period end was 50 billion (December 2018: 50 billion) with a par value of US$0.025 per share (December 2018: US$0.025 per share). Total issued shares as of 31 December 2019 were 24.730 billion shares. The adjustment for treasury shares on consolidation resulted in the share count of 24,592 billion shares.

Treasury shares were ETI shares held by subsidiaries and related entities within the Group as at period end. The treasury shares count as at 31 December 2019 is 137.7 million shares.

Share options

The Group offers share option to certain employees with more than three years' service. Options are conditional on the employee completing three year's service (the vesting period). The options are exercisable starting three years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movement in the number of share options outstanding are as follows:

	2019	2018
At 1 January 2018	**112,488**	**124,988**
Forfeited	(2,000)	(12,500)
Lapsed	–	–
At 31 December	**110,488**	**112,488**

The share options exercised during the period were done at a price of US$0.08.

The range of exercise price of outstanding shares as at 31 December 2019 is 6 cents to 9.2 cents (average price 7.6 cents). All of the outstanding shares as at 31 December 2019 were exercisable.

New share options totalling 119 million shares were also granted on 16 July 2012 with a contractual life of five years. New share options totalling 50 million shares were also granted in September 2015 with a contractual life of five years.

40 Share capital (continued)

The number of shares outstanding at the end of the year was as follows:

Expiry date:	2019	2018
2016	–	–
2017	–	–
2019	50,000	50,000
2022	60,488	62,488
	110,488	**112,488**

For the general employees share option plan, options may be exercised prior to the tenth anniversary of the grant.

Measurement of fair values – share options

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes formula. The service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value. The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows:

Fair value of share options and assumptions	2012 scheme	2015 scheme
Fair value at grant date (US$)	0.012	0.025
Share price at grant date (US$)	0.063	0.092
Exercise price (US$)	0.063	0.092
Expected volatility	0.75%	1.73%
Expected life (number of years)	4	5
Expected dividends	6%	3%
Risk-free interest rate	11.8%	11.8%

The expected volatility is based on both historical average share price.

41 Retained earnings and other reserves

	2019	2018
Retained earnings	245,563	185,893
Other reserves	(882,827)	(842,367)
	(637,264)	**(656,474)**

a) Retained earnings

Movements in retained earnings were as follows:

At 1 January	185,893	216,142
Profit for year	193,958	182,178
Day 1 IFRS 9 Impact	–	(278,503)
Transfer from/(to) general banking reserve	(28,124)	124,262
Transfer to statutory reserve	(106,164)	(45,376)
Transfer to share option		(219)
Transfer to other Group reserve	–	(12,591)
At 31 December	**245,563**	**185,893**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

41 Retained earnings and other reserves (continued)

b) Other reserves

	2019	2018
General banking reserve	261,206	233,082
Statutory reserve	584,396	478,232
Revaluation reserve – investment securities	(389)	(59,404)
Convertible bond – equity component	5,084	7,779
Revaluation reserve – property and equipment	146,895	136,580
Hyper-inflation reserve	(35,542)	–
Share option reserve	1,251	1,157
Remeasurements of post-employment benefit obligations	(6,899)	(7,801)
Translation reserve	(2,122,530)	(1,879,311)
Other Group reserves	283,701	247,319
	(882,827)	**(842,367)**

Movements in the other reserves were as follows:

i) General banking reserve

At 1 January	233,082	357,344
Transfer from retained earnings	28,124	(124,262)
At 31 December	**261,206**	**233,082**

The general banking reserve represents transfers from retained earnings for unforeseeable risks and future losses. General banking reserves can only be distributed following approval by the shareholders in general meeting.

ii) Statutory reserve

At 1 January	478,232	432,856
Transfer from retained earnings	106,164	45,376
At 31 December	**584,396**	**478,232**

Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable.

iii) Share option reserve

At 1 January	1,157	938
Transfer to retained earnings	94	219
At 31 December	**1,251**	**1,157**

Statutory reserves represents accumulated transfers from retained earnings in accordance with relevant local banking legislation. These reserves are not distributable.

iv) Remeasurements of post-employment benefit obligations

At 1 January	(7,801)	(9,175)
Actuarial gains on retirement benefit	1,192	1,374
At 31 December	**(6,899)**	**(7,801)**

	2019	2018
v) Revaluation reserves		
At 1 January	(59,404)	5,513
Net gain/(loss) from changes in fair value debt securities	60,667	(67,960)
Deferred income taxes (Note 37)	(1,468)	2,695
Net gain/(loss) from changes in fair value equity securities	(184)	348
At 31 December	**(389)**	**(59,404)**

The revaluation reserve shows the effects from the fair value measurement of investment securities after deduction of deferred taxes.

Convertible bond – equity component
Movement in equity component of convertibles were as follows:

At 1 January	7,779	7,779
Exercise of the convertible option	(2,695)	–
At 31 December	**5,084**	**7,779**

The equity component of the convertible bond is computed as a residual amount after determining the loan amount using the market rate of an equivalent loan.

vi) Hyper-inflation reserve		
At 1 January	–	–
Impact of adopting IAS 29 at 1 January 2019	(35,542)	–
At 31 December	**(35,542)**	**–**
vii) Revaluation Reserve – property and equipment		
At 1 January	136,580	141,565
Net gains from changes in fair value	11,398	(643)
Deferred income taxes	(1,083)	(4,342)
At 31 December	**146,895**	**136,580**
viii) Translation reserve		
At 1 January	(1,879,311)	(1,620,903)
Currency translation difference arising during the year	(243,219)	(258,408)
At 31 December	**(2,122,530)**	**(1,879,311)**
ix) Other Group reserve		
At 1 January	247,319	234,728
Movement arising during the year	36,382	12,591
At 31 December	**283,701**	**247,319**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

42 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity.

	2019	2018
Cash and balances with central banks (Note 17)	1,564,627	1,668,236
Treasury Bills and other eligible bills (Note 22)	381,444	396,384
Deposits with other banks (Note 20)	1,226,587	1,152,337
Deposits from other banks (Note 32)	(612,892)	(1,075,102)
	2,559,766	**2,141,855**

43 Group entities

a) Significant subsidiaries

	Country of incorporation	Ownership interests	
		2019	2018
Ecobank Nigeria Limited	Nigeria	100%	100%
Ecobank Ghana Limited	Ghana	69%	69%
Ecobank Côte d'Ivoire	Côte d'Ivoire	75%	75%
Ecobank Burkina	Burkina Faso	78%	85%
Ecobank Senegal	Senegal	78%	80%
Ecobank Benin	Benin	79%	79%
Ecobank Cameroon	Cameroon	80%	80%
Ecobank Mali	Mali	93%	93%
Ecobank Togo	Togo	82%	82%

43 Group entities (continued)

b) Non-controlling interests in subsidiaries that are material to the Group

The following table summarises the information relating to the Group's subsidiary that has material non-controlling interests (NCI), before any intra-group eliminations.

Entity	Ecobank Ghana		Ecobank Côte d'Ivoire		Ecobank Burkina	
NCI percentage	31%	31%	25%	25%	22%	15%
Period	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Loans and advances to customers	960,363	860,894	1,153,228	1,321,469	715,337	690,861
Investment securities	680,647	612,278	1,031,678	933,411	463,416	401,556
Other assets	133,822	32,842	60,552	35,812	41,860	70,067
Deposits from customers	1,744,574	1,578,192	1,315,492	1,445,108	1,171,439	1,227,472
Other liabilities	70,542	237,764	90,684	93,759	31,745	51,140
Net assets	320,469	278,432	240,759	192,834	97,894	92,926
Carrying amount of NCI	**99,561**	**86,314**	**60,203**	**48,209**	**21,365**	**13,939**
Operating income	296,120	284,285	140,839	150,244	81,623	77,767
Profit before tax	122,422	110,051	74,458	45,029	1,916	18,109
Profit after tax	85,502	77,383	63,470	43,159	1,020	16,260
Total comprehensive income	87,227	81,163	82,253	40,777	4,609	28,760
Profit allocated to NCI	**27,099**	**24,043**	**20,568**	**10,790**	**1,006**	**2,439**
Cashflows from operating activities	(398,984)	110,051	308,823	45,029	(259,105)	18,109
Cashflows from investing activities	(163,648)	77,383	(112,949)	43,159	(80,356)	16,260
Cashflows from financing activities	(10,510)	81,163	(71,205)	40,777	12,890	28,760
Net increase/(decrease) in cash and cash equivalents	**(573,143)**	**268,597**	**124,669**	**128,965**	**(326,570)**	**63,129**

c) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

43 Group entities (continued)

d) Involvement with unconsolidated structured entities

The table below describes the structured entities in which the Group does not hold an interest but is a sponsor. The Group considers itself a sponsor of a structured entity when it facilitates the establishment of the structured entity. These entities were not consolidated in 2019.

Name	Type of structured entity	Nature and purpose	Investment held by the Group
FCP UEMOA DIVERSIFIE (Incorporated in Ivory Coast in 2007)	Asset-backed structured entity	a) Provide investors with an exposure to a referenced asset such as debt instrument	None
FCP UEMOA RENDEMENT (Incorporated in Ivory Coast in 2007)	Asset-backed structured entity	b) Generate fees for agent activities and funding for the Group's lending activities	None

The table below sets out information as at 31 December 2019 in respect of structured entities that the Group sponsors, but in which the Group does not have an interest.

Asset-backed structured entities	FCP UEMOA DIVERSIFIE	FCP UEMOA RENDEMENT
Fee income earned from asset-backed structured entities	629	76
Carrying amount of assets transferred by third parties to conduit vehicle		
Carrying amount of the financing received from unrelated third parties	23,721	2,846
The carrying value is stated at book value (costs less impairment)	25,698	3,331

The Group does not have any exposure to any loss arising from these structured entities.

44 Related party transactions

The related party is the key management personnel, their related companies and close family relations. The key management personnel included directors (executive and non-executive),and other members of the Group Executive Committee.

A number of banking transactions are entered into with related parties in the normal course of business and at commercial terms. These transactions include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the end of the period, and relating expense and income for the period as follows:

Loans and advances to related parties	Directors and key management personnel		Related companies	
	31 Dec. 2019	31 Dec. 2018	31 Dec. 2019	31 Dec. 2018
Loans outstanding at 1 January	–	177	11,899	35,970
Loans issued during the year	2,245	179	–	–
Loan repayments during the year	(1,712)	(356)	(9,902)	(24,071)
Exchange difference	–	–	–	–
Loans outstanding at 31 December	**533**	**–**	**1,997**	**11,899**
Interest income earned	112	147	595	745

No provisions have been recognised in respect of loans given to related parties (2018: nil).

44 Related party transactions (continued)

The loans issued to executive directors during the year and related companies controlled by directors were given on commercial terms and market rates.

Deposits from related parties	Directors and key management personnel	
	31 Dec. 2019	31 Dec. 2018
Deposits at 1 January	1,370	2,381
Deposits received during the year	–	3,672
Deposits repaid during the year	(662)	(4,683)
Exchange difference	–	–
Deposits at 31 December	**708**	**1,370**
Interest expense on deposits	–	–

	31 Dec. 2019	31 Dec. 2018
Directors' remuneration		
Total directors fees and allowances	1,891	1,637

Related party credits

During the period the Group through its subsidiaries granted various credit facilities to directors and companies whose directors are also directors of ETI at rates and terms comparable to other facilities in the Group's portfolio. An aggregate of $9.7 million was outstanding on these facilities at the end of the reporting period. The status of performance of each facility is as shown below:

Name of company/ individual	Relationship	Type	Status	Nature of security	Amount
BIDC	Director related	Bonds	Non-impaired	Unsecured	9,745
					9,745

Parent

The parent company, which is also the ultimate parent company, is Ecobank Transnational Incorporated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

45 Banking subsidiaries

	Ownership interests
Ecobank Cameroon	80%
Ecobank Chad	74%
Ecobank Sao Tomé	100%
Ecobank Central Africa	75%
Ecobank Congo Brazzaville	86%
Ecobank Gabon	75%
Ecobank Guinea Equatorial	60%
Ecobank Benin	79%
Ecobank Burkina Faso	78%
Ecobank Côte d'Ivoire	75%
Ecobank Mali	93%
Ecobank Niger	74%
Ecobank Sénégal	78%
Ecobank Togo	82%
Ecobank Guinea-Bissau	96%
Ecobank Cape Verde	99%
Ecobank Ghana	69%
Ecobank Guinea	83%
Ecobank Liberia	100%
Ecobank Sierra Leone	100%
Ecobank Gambia	97%
Ecobank Rwanda	97%
Ecobank Tanzania	100%
Ecobank Kenya	100%
Ecobank Burundi	75%
Ecobank Uganda	100%
Ecobank South Sudan	100%
Ecobank Nigeria	100%
Ecobank Malawi	96%
Ecobank Congo DR	100%
Ecobank Zambia	100%
Ecobank Zimbabwe	100%
EBI SA (France)	100%
Ecobank Mozambique	99%
Non Banking subsidiaries	
SOFIPE Burkina	78%
Ecobank Micro Finance Sierra Leone	100%
Pan-African Savings and Loans	71%
EDC Holding	98%
Treasury Bond Protected Investment Company (TBPIC) (*)	100%
FCP Obligataire	51%
eProcess International	100%
Bewcastle	100%
Ecobank Specialised Finance Company LLC	100%

(*) TBPIC is an entity for which ETI has control and so it is included in the consolidation scope as per IFRS 10.

46 Acquisitions

In January 2019, Ecobank Group through its subsidiary, Ecobank Ghana, completed the acquisition of additional 45% interest in Pan African Savings and Loans of Ghana which brought the Group total interest to 71%. The acquired entity contributed operating income of $6.6 million and operating profit of $0.8 million to the Group for the period ending 31 December 2019.

The details of the fair value of the assets and liabilities acquired and goodwill arising from both acquisitions are as follows:

Pan African Savings and Loans	Fair values on date of acquisition
Cash and cash equivalent	3,503
Loans and advances to customers	8,580
Property, plant and equipment	366
Other assets	1,694
Deposit from customers	(11,419)
Other liabilities	(473)
Net assets acquired	**2,251**
Consideration transferred (45%)	1,256
FV of previously held investment by Ecobank Ghana (49%)	1,368
FV of previously held investment by ETI (6%)	168
	2,792
Goodwill	**541**

47 Prior period restatement

The Central Bank of Nigeria (CBN) issued a circular dated 18 January 2019 to all banks in Nigeria, with reference number BSC/01R/CON/LAB/12/001 and titled "Promissory Notes Issued by the Federal Government of Nigeria in Respect of Subsidy Payments to Petroleum Marketers." It instructed that banks make a 100% haircut on interest accrued for eighteen (18) months commencing from 1 July 2017 to 31 December 2018 on the loans of petroleum marketers related to Sovereign Debt Note (SDN) exposures. These transactions arose from valid contracts entered between the Ecobank Nigeria and these customers.

Ecobank Nigeria complied with this directive in 2019. However, the Bank did not include in its assessment for Expected Credit Losses (ECL) as at 31 December 2018 this information regarding the possible haircut on accrued interest within the said period. Considering the amount involved of $79.5 million; this has been assessed as a material adjusting event for 2018 financial statements. Consequently, this has been treated as a prior year error in compliance with the requirement of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* with respect to Expected Credit Losses on loans and advances as the Bank did not factor in same information in arriving at its Expected Credit Losses for 2018 as required by IFRS 9. Thus, the Expected Credit Loss Allowance for 2018 was increased by $79.5 million from $638.5 million to $718.0 million under the following lines: Expected Credit Loss Allowance under Loans and Advances to Customers (Note 21) and Increase in ECL Allowance on Loans and Advances under Impairment Charge for Losses (Note 13) from $240.0 million to $319.5 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

47 Prior period restatement (continued)

Income statement

For year ended 31 December 2018 US Dollar thousands	As previously reported	Adjustments	As restated
Impairment charge for losses	240,001	79,469	319,470
Profit before tax	435,977	(79,469)	356,508
Profit after tax	328,649	(79,469)	249,180
Earnings per share	1.06	–	0.74

Balance sheet

As at 31 December 2018 US Dollar thousands	As previously reported	Adjustments	As restated
Loans and advances to customers	9,168,669	(79,469)	9,089,200
Total assets	22,582,196	(79,469)	22,502,727
Retained earnings and reserves	(577,005)	(79,469)	(656,474)
Total equity	1,812,491	(79,469)	1,733,022

STATEMENT OF VALUE ADDED

(All amounts in thousands of US dollars unless otherwise stated)

Statement of value added

Year ended 31 December (in thousands of US dollars)	2019	2018
Gross income	**2,328,822**	**2,485,103**
Interest expenses paid	(662,269)	(598,650)
Fee and commission expenses	(49,816)	(62,993)
	1,616,737	**1,823,460**
Impairment loss on financial assets	(133,557)	(343,384)
	1,483,180	**1,480,076**
Bought in material & services	(474,566)	(512,868)
Value Added	**1,008,614**	**967,208**
Distributions		
Employees		
Staff salaries and benefits	490,311	512,455
Government		
Income tax	134,865	108,129
Retained in the group		
Asset replacement (depreciation and amortisation)	108,504	97,444
Expansion (transfer to reserves and non-controlling interest)	274,934	249,180
	1,008,614	**967,208**

FIVE-YEAR SUMMARY FINANCIALS

	2019	2018	2017	2016	2015
At the year end					
Total assets	23,641,184	22,502,727	22,431,604	20,510,974	23,553,919
Loans and advances to customers	9,276,608	9,089,200	9,259,374	11,200,349	11,200,349
Deposit from customers	16,246,120	15,935,999	15,203,271	13,496,720	16,427,553
Total equity	1,885,777	1,733,022	2,172,083	1,764,078	2,523,245
For the year					
Revenue	1,622,259	1,825,171	1,831,202	1,972,263	2,105,975
Profit/(loss) before tax	405,079	356,508	288,340	-131,341	205,239
Profit/(loss) for the year	274,934	249,180	228,534	-204,958	107,464
Profit/(loss) attributable to owners of the parent	193,958	182,178	178,585	-249,898	65,539
Earnings per share-basic (cents)	0.78	0.74	0.72	-1.01	0.28
Earnings per share-diluted (cents)	0.78	0.74	0.72	-1.01	0.28
Dividend per share (cents)	–	–	–	–	0.2
Return on average equity	15.2%	12.8%	11.6%	-9.6%	4.2%
Return on average assets	1.2%	1.1%	1.1%	-0.9%	0.4%
Cost-to-income ratio	66.2%	61.5%	61.8%	62.7%	64.9%

* Results for 2015 are shown for continuing operations.

PARENT COMPANY'S FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

Statement of comprehensive income

Year ended 31 December	2019	2018
Interest income	27,718	38,826
Finance cost	(133,111)	(88,387)
Net interest income	(105,393)	(49,561)
Net fees and commission income	28,423	33,712
Other operating income	23,097	18,970
Personnel expense	(34,479)	(22,158)
Depreciation and amortisation expense	(3,876)	(3,470)
Other operating expense	(16,760)	(14,873)
Foreign exchange translation gain/(loss)	(8,629)	10,989
	(117,617)	(26,391)
Provision on loans and advances to banks	(11,329)	–
Provision for other assets	(20,328)	(50,065)
Operating loss for the year	**(149,274)**	**(76,456)**
Share of profit/(loss) of associates	115	(3,038)
Share of profit	451,096	488,626
Share of affiliate's tax	(117,621)	(87,030)
Profit for the year	**184,315**	**322,102**
Other comprehensive income:		
Items that will be reclassified to profit or loss:		
Share of affiliates other comprehensive (loss)/income	69,797	(43,748)
Net valuation gain for sale securities OCI	4,600	45,728
Other comprehensive income for the year	**74,396**	**1,980**
Total comprehensive income for the year	**258,713**	**324,082**

PARENT COMPANY'S FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

Statement of financial position

As at 31 December	2019	2018
Assets		
Loans and advances to banks	413,331	474,662
Investment in securities	4,347	5,064
Other assets	108,097	163,545
Investment properties	13,282	10,819
Investment in associates	3,976	4,315
Investment in subsidiaries and structured entities	2,963,266	2,610,423
Intangible assets	2,043	383
Property and equipment	43,058	36,142
Total assets	**3,551,401**	**3,305,352**
Liabilities		
Other liabilities	40,662	143,006
Lease liabilities	1,077	–
Short term borrowings	55,743	39,555
Long term borrowings	1,521,605	1,386,332
Retirement benefit obligations	18,780	13,396
Total liabilities	**1,637,868**	**1,582,289**
Equity		
Share capital	618,255	618,255
Share premium	1,499,144	1,499,144
Retained earnings	785,037	600,722
Other reserves	(988,903)	(995,058)
Total equity	1,913,533	1,723,063
Total liabilities and equity	**3,551,401**	**3,305,352**

The financial statements were approved for issue by the Board of Directors on 28 February 2020 and signed on its behalf by:

Emmanuel Ikazoboh
Group Chairman
FRC/2013/ICAN/00000003157

Ade Ayeyemi
Group Chief Executive Officer
FRC/2020/003/00000020528

Ayo Adepoju
Group Chief Financial Officer
FRC/2017/ICAN/00000017517

PARENT COMPANY'S FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

Statement of changes in equity

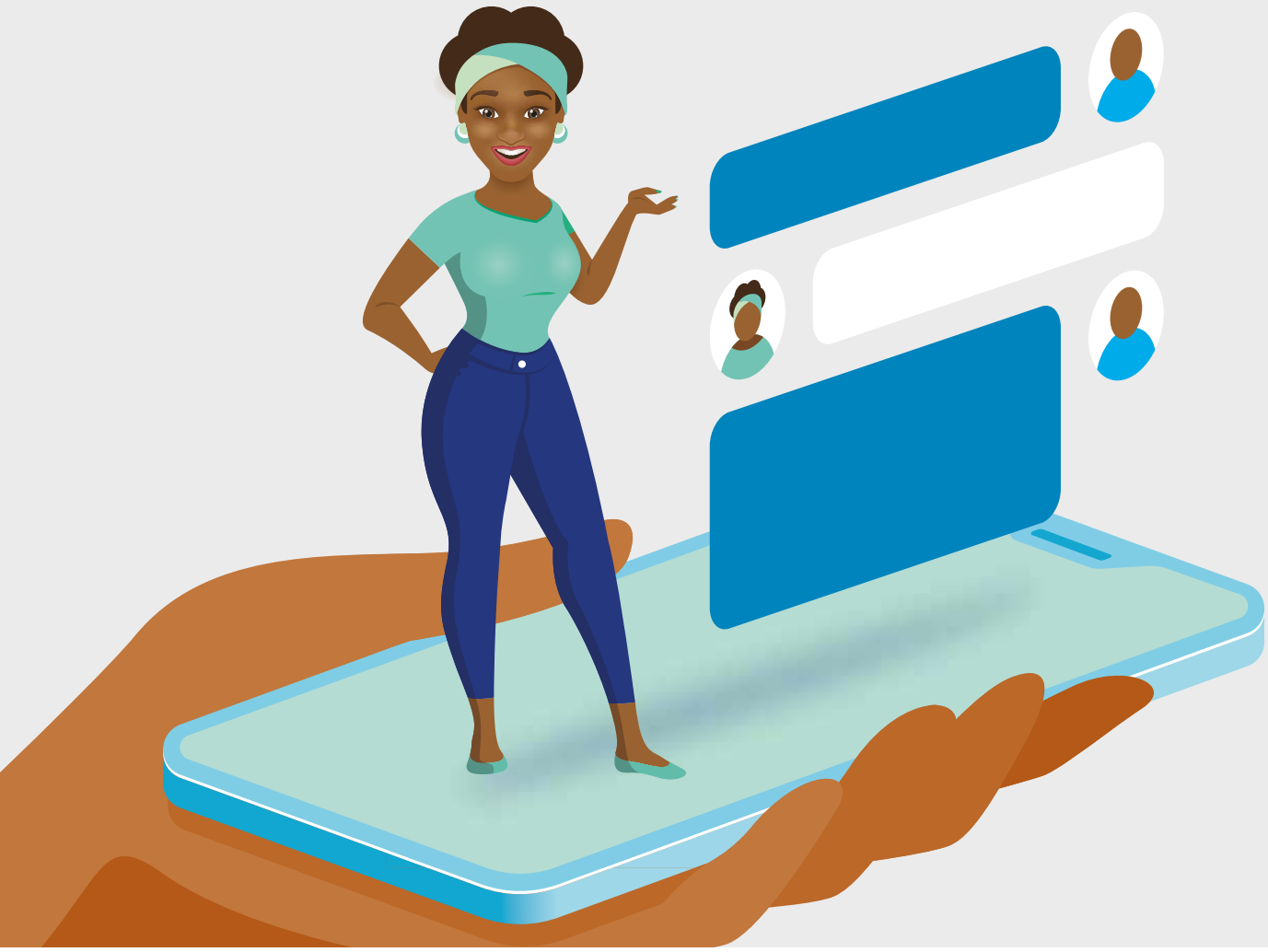
	Share capital	Share premium	Retained earnings	Other reserves	Total
At 1 January 2018	**618,255**	**1,499,144**	**633,137**	**(755,053)**	**1,995,482**
IFRS 9 impact adjustment			(248,552)		(248,552)
Profit for the year	–	–	322,102	–	322,102
Exchange difference on translation of foreign operations (associates)	–	–	–	516	516
Net unrealised gain on investments	–	–	–	1,980	1,980
Total Comprehensive income	**–**	**–**	**73,550**	**2,496**	**76,046**
Transferred to retained earnings	–	–	(105,965)	–	(105,965)
Equity component on convertible loan issued during the year	–	–	–	(2,194)	(2,194)
Share option granted	–	–	–	219	219
Adjustment equity accounting (translation loss)	–	–	–	(240,525)	(240,525)
At 31 December 2018 / 1 January 2019	**618,255**	**1,499,144**	**600,722**	**(995,058)**	**1,723,063**
Profit for the year	–	–	184,315	–	184,315
Exchange difference on translation of foreign operations (associates)	–	–	–	–	–
Net unrealised gain on investments	–	–	–	74,396	74,396
Total comprehensive income	**–**	**–**	**184,315**	**74,396**	**258,712**
Transferred to retained earning	–	–	–	–	–
Adjustment equity accounting (translation loss)	–	–	–	(67,834)	(67,834)
Share option granted	–	–	–	94	94
Equity component on convertible loan not converted during the year	–	–	–	(501)	(501)
At 31 December 2019	**618,255**	**1,499,144**	**785,037**	**(988,903)**	**1,913,533**

PARENT COMPANY'S FINANCIAL STATEMENTS

(All amounts in thousands of US dollars unless otherwise stated)

Statement of cash flows

For year 31 December	2019	2018
Profit for the year	**184,315**	**322,102**
Adjustment for non cash items:		
Interest income	(27,718)	(38,826)
Finance cost	133,111	88,387
Fair value loss on investment property	(2,463)	1,077
Share of associates (profit)/loss	(115)	3,038
Adjustments to equity accounting	(172,206)	(333,185)
Gain on disposal of property plant and equipment	(88)	(63)
Depreciation and amortisation	3,876	3,470
Amortisation of government grant	(192)	(192)
Provision for doubtful receivables	20,328	50,065
Share option vested during the year	94	219
Foreign exchange gain on retirement benefit obligation	–	(732)
Current service cost and interest on benefit obligation	5,384	(2,052)
	144,325	**93,308**
Interest paid	(121,654)	(71,168)
Interest received	27,718	38,826
Changes in working capital		
– Other assets	34,802	(47,952)
– Other liabilities	(102,151)	93,823
– Loans and advances	(90,296)	1,285
Net cash (used in)/from operating activities	**(107,256)**	**108,121**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(1,931)	(411)
Proceeds from the sale of property, plant and equipment	2,297	15,019
Addition to investment in subsidiaries	(110,841)	(231,511)
Net cash used in investing activities	**(110,475)**	**(216,903)**
Cash flows from financing activities		
Proceeds from borrowings	667,358	745,396
Repayment of borrowed funds	(420,660)	(553,753)
Net cash from financing activities	**246,697**	**191,642**
Net increase in cash and cash equivalents	28,966	82,860
Cash and cash equivalent at the beginning of the year	**119,402**	**36,542**
Cash and cash equivalents at end of the year	**148,367**	**119,402**



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CORPORATE INFORMATION

07

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Ade Ayeyemi
Group CEO
Nigerian

Nana Araba Abban
Head, Group Consumer Bank
Ghanaia

Josephine Annan-Ankomah
Group Executive, Commercial Bank
Ghanaian

Amin Manekia
Group Executive, Corporate and Investment Bank
Pakistani

Paul-Harry Aithnard
Regional Executive, UEMOA and Managing Director, Ecobank Côte d'Ivoire
Togolese

Patrick Akinwuntan
Regional Executive and Managing Director, Ecobank Nigeria
Nigerian

Daniel Sackey
Regional Executive, AWA and Managing Director, Ecobank Ghana
Ghanaian

Cheikh Travaly
Regional Executive, CESA and Managing Director, Ecobank Kenya
Senegalese

Ayo Adepoju
Group CFO
Nigerian

Eric Odhiambo
Group Executive, Chief Risk Officer
Kenyan

Madibinet Cisse
Group General Counsel and Company Secretary
Guinean

Laurence do Rego
Group Executive, Chief Regulatory Officer and Compliance Officer
Beninese

Eddy Ogbogu
Group Executive, Operations and Technology
Nigerian

Yves Mayilamene
Group Executive, Human Resources
Congolese

Moustapha Fall
Group Head, Internal Audit and Management Services
Senegalese

Managing Directors

UEMOA

Lazare Noulekou
Benin

Chanou Moukaramou
Burkina Faso

Paul-Harry Aithnard
Cote d'Ivoire & Regional Executive, UEMOA

Aminata Sakho
Cape Verde

Mamady Diakite
Mali

Didier Correa
Niger

Nafissatou Toure (Acting)
Senegal

Souleymane Toure
Togo

Tene Sonia Abo
Guinea-Bissau

Nigeria

Patrick Akinwuntan
Nigeria & Regional Executive, Nigeria

AWA

Daniel Sackey
Ghana & Regional Executive, AWA

Diawadou Bah
Guinea

Georges Mensah-Asante
Liberia

Aina Moore
Sierra Leone

Carl Asem
Gambia

CESA

Gwendoline Abunaw
Cameroon

Alassane Sorgo
Chad

Dalton Costa Gonçalves
Sao Tomé and Príncipe

Ibrahim Aboubakar Bagarama
Republic of the Congo

Nicholas Achiri
Gabon

Sylvain Pendi-Bisseyou
Central African Republic

Kouame Olivier Brou
Equatorial Guinea

Alice Kilonzo-Zulu
Rwanda

Cheikh Travaly
Kenya & Regional Executive, CESA

Victor Noumoue
Burundi

Clement Dodoo
Uganda

Mwanahiba Muhammed Mzee
Tanzania

Leonard Munene
South Sudan

Jean Baptiste Siate
Democratic Republic of the Congo

Charles Asiedu
Malawi

Kola Adeleke
Zambia

Moses Kurunjekwa
Zimbabwe

Jose Mendes
Mozambique

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Ibrahima Diouf
France
(Paris)

Nathalie Villette (Acting)
United Kingdom
(London)

Ara Bakjejian
United Arab Emirates
(Dubai)

Shen Li
China
(Beijing)

James R Kanagwa
Ethiopia
(Addis Ababa)

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This annual report or any extract thereof including its abridged version could or may contain forward looking statements that are based on current expectations or beliefs, as well as assumptions about future events.

These forward looking statements involve known and unknown risks, uncertainties and other important factors that could in future cause actual results, performance or achievements of the Group to be materially different from those expressed or implied in the forward looking statements.

These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "will", "may", "should", "would", "could" or other words of similar meaning.

Such forward looking statements are based on assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future.

The Group expressly disclaims any obligation or undertaking to release any updates or revisions to any forward looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Ecobank has made every effort to ensure the accuracy of the information contained in this annual report relating to such forward looking statements and believes such information is reliable but does not warrant its completeness or accuracy. The Company shall not be held liable for errors of fact or opinion connected to such forward looking statements. This however does not exclude or restrict any duty or liability that Ecobank has to its customers under any regulatory system.

SHARE CAPITAL OVERVIEW

Share capital

Ordinary shares — Authorised share capital of 50,000,000,000 at 2.5 US cents ($0.025) per share, of which 24,730,354,443 are issued and outstanding.

	Shareholders	Number of Shares Held	% Share of TSO
1	Nedbank Group Ltd.	5,249,014,550	21.22%
2	Qatar National Bank (QNB)	4,970,904,524	20.10%
3	Arise B.V.	3,487,337,828	14.10%
4	Government Employees Pension Fund / PIC	3,333,333,333	13.48%
5	Social Security and National Insurance Trust (SSNIT)	955,730,453	3.86%
6	Moon Investment Limited	787,239,062	3.18%
7	The Bank of New York Mellon	484,494,772	1.96%
8	Ecowas Bank for Investment and Development (BIDC)	240,209,077	0.97%
9	Mikeade Investment Company Ltd.	166,675,914	0.67%
10	AGL Africa Ex-SA Equity (USD) Fund-Trad	164,923,177	0.67%
	Top 10 Shareholders	19,839,862,690	80.22%
	Other Shareholders	4,890,491,753	19.78%
	Total Shares Outstanding (TSO)	**24,730,354,443**	**100.00%**

Data as of 31 December 2019

Ecobank Transnational Inc: share range analysis as at 31 December 2019

Share Range	Number of ETI Shareholders	% of Total Shareholders	Number of ETI Shares	% of Total ETI Shares
1 - 1,000	456,844	72.11	120,645,266	0.49
1,001 - 5,000	131,998	20.83	257,956,723	1.04
5,001 - 10,000	21,551	3.40	143,137,480	0.58
10,001 - 50,000	17,601	2.78	334,918,063	1.35
50,001 - 100,000	2,490	0.39	171,138,261	0.69
100,001 - 500,001	2,213	0.35	456,322,093	1.85
500,001 - 1,000,000	408	0.06	295,201,320	1.19
1,000,001 - 10,000,000	399	0.06	1,150,854,918	4.65
10,000,001 and Above	76	0.01	21,800,180,319	88.15
TOTAL	**633,580**	**100.00**	**24,730,354,443**	**100.00**

Potential dilutive securities

ETI $400 million convertible debt

The $400 million convertible debt due 2022 will have a maturity of five (5) years from date of issuance, a coupon rate comprising a reference rate of 3-month LIBOR plus a spread of 6.46% (i.e. 3-month LIBOR + 6.46%), payable semi-annually in arrears. The debt will be convertible into ETI ordinary shares at an exercise price of $0.06 (6.00 US cents, which translates into NGN21.97, GHS0.33 or XOF36.07 at current exchange rates for illustrative purposes only), during the conversion period of 19 October 2019 to 13 October 2022. This debt will be redeemed at 110% of principal amount if the conversion option is not exercised.

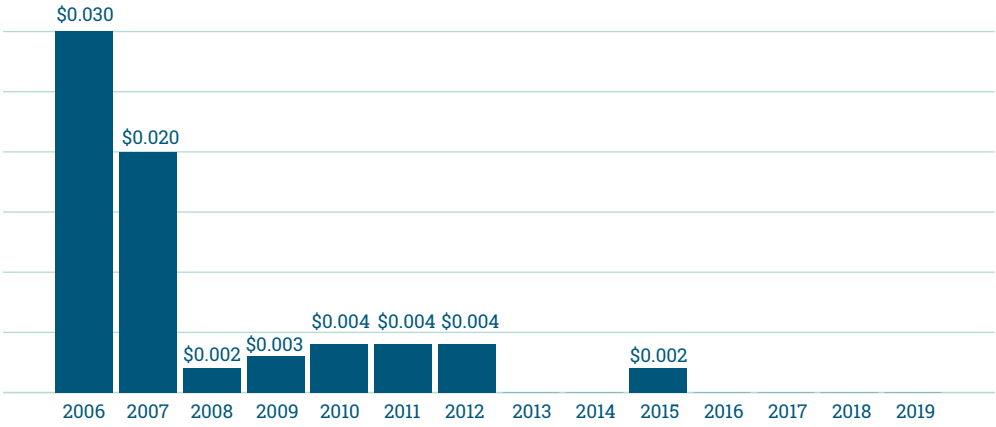
Share options

These are options outstanding to staff and management in respect of 110 million shares.

Ordinary share dividend history

Financial Year	Dividend per ordinary share		Total dividend
	US$	US$ cents	US$ thousands
2006	0.030	3.0	18,355
2007	0.020	2.0	26,940
2008	0.002	0.2	17,500
2009	0.003	0.3	29,744
2010	0.004	0.4	39,653
2011	0.004	0.4	51,349
2012	0.004	0.4	68,849
2013	0.000	0.000	0.000
2014	0.000	0.000	0.000
2015	0.002	0.2	48,200
2016	0.000	-	-
2017	0.000	-	-
2018	0.000	-	-
2019	0.000	-	-

Ordinary share dividend history



Listings

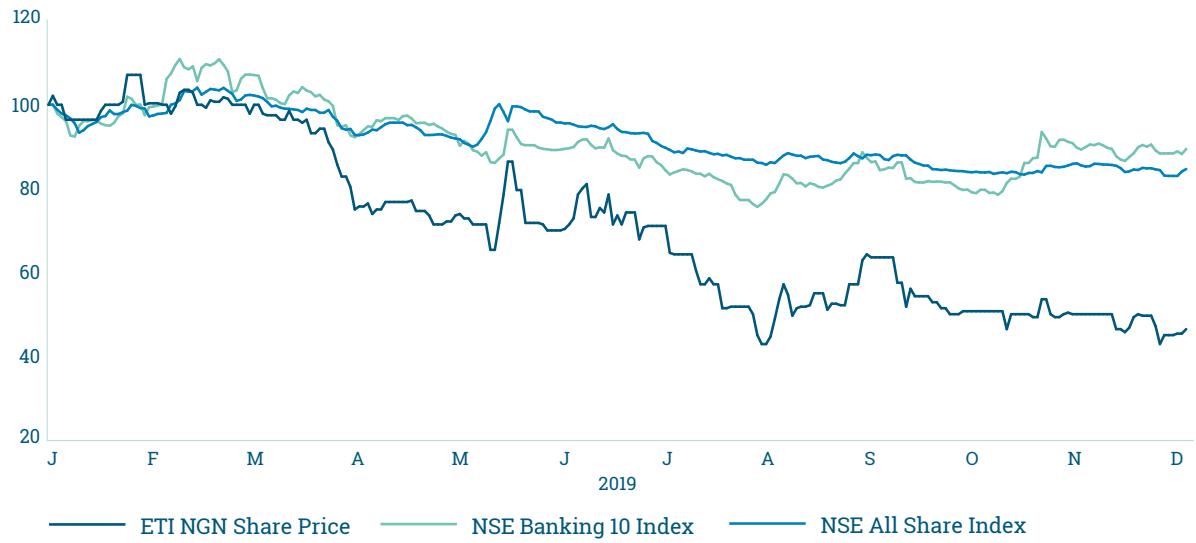
Ecobank Transnational Incorporated's (ETI's) ordinary shares are listed on three stock markets in Africa:

Stock Market	NSE	GSE	BRVM
Location	Lagos, Nigeria	Accra, Ghana	Abidjan, Côte d'Ivoire
Share price as of 31 December 2019	NGN 6.50	GHS 0.08	XOF 14.00
% change year-on-year	-54%	-50%	-22%
Average daily trading volume	2,510,786	35,676	223,076
% change from 2018	-22%	-51%	-72%
Shares held (millions)	20,380,819,119	2,563,592,868	1,785,942,456

ETI NSE share price (NGN) performance relative to the NSE All-share and NSE Banking 10 indices (data rebased to 100)

The graph below plots the performance of ETI's share price on the Nigerian Stock Exchange (NSE) against that of the NSE All-share and NSE Banking 10 indices over the course of 2019. The NSE All-share index tracks the general market movement of all listed equities, including those on the Alternative Securities Market (ASeM), regardless of market capitalisation. The NSE Banking 10 index comprises the largest 10 banking stocks. ETI is a component of both NSE indices.

ETI share price (NGN) indexed to the NSE All-Share index and NSE Banking 10 Index (1 Jan 2019 = 100)



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SHARE CAPITAL HISTORY

Year	Operation	Additional shares	Share capital
2006	Private Placement	53,648,147	454,920,279
2006	Conversion of Convertible Debt	47,500,000	502,420,279
2006	5th Bonus Issue (1:5)	101,533,183	603,953,462
2006	Private Placement	5,248,881	609,202,343
2006	Issue for Market Making at Listing	1,801,205	611,003,548
2006	Employee Share Issue	1,284,449	612,287,997
2007	Share Split (2:1)	612,287,997	1,224,575,994
2007	6th Bonus Issue (1:10)	122,457,599	1,347,033,593
2008	Share Option (CEO)	7,920,000	1,354,953,593
May 2008	Share Split (5:1)	5,419,814,372	6,774,767,965
Aug-Oct 2008	Rights Issue	681,958,227	7,456,726,192
Aug-Oct 2008	Public Offer	1,275,585,719	8,732,311,911
Nov 2009	Conversion of the IFC Convertible loan	1,181,055,863	9,913,367,774
Nov 2011	Issue to Oceanic Shareholders	2,488,687,783	12,402,055,557
Dec 2012	Issue to Ecobank Nigeria minority shareholders	401,524,001	12,803,579,558
Dec 2012	Share Option (CEO)	33,572,650	12,837,152,208
Jul 2012	Issue to GEPF-PIC	3,125,000,000	15,962,152,208
Sep 2012	Issue to IFC CAP FUND	596,590,900	16,558,743,108
Sep 2012	Issue to AFRICA CAP FUND	340,909,100	16,899,652,208
Sep 2012	Issue to IFC ALAC HOLDING COMPANY II	312,500,000	17,212,152,208
Jul 2014	Issue to IFC CAP FUND	628,742,514	17,840,894,722
Jul 2014	Issue to IFC ALAC HOLDING COMPANY II	209,580,838	18,050,475,560
Oct 2014	Issue to NEDBANK GROUP LIMITED	4,512,618,890	22,563,094,450
Dec 2014	Share Option Staff	425,000	22,563,519,450
Jun 2015	Share Option Staff	3,300,000	22,566,819,450
Jul 2015	Conversion of preference shares	26,988,980	22,593,808,430
Jul 2015	Bonus Issue	1,506,220,104	24,100,028,534
Oct 2016	Conversion of preference shares	630,325,909	24,730,354,443

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(229) 21 31 40 23
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2. Burkina Faso
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2365, Boulevard du Mono
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Tel: (228) 22 22 23 70
Fax: (228) 22 22 24 34

SHAREHOLDER CONTACTS

Questions about your shares?

Please contact the Registrars for queries about:

- Missing or outstanding dividend cheques
- Share verification and de-materialisation or lost share certificate
- Estate questions
- Change/update of address on the share register
- Direct payment of dividends into bank (e-dividend registration)
- Eliminating duplicate mailings of shareholder materials
- Uncashed dividend cheques.

Registrars

Abidjan

EDC Investment Corporation
Avenue Houdaille,
Place de la République,
Plateau Imm. Ecobank,
2ème étage
01 BP 4107 Abidjan 01 – C.I.
Tel: +225 20 21 50 00/72
+225 20 21 50 00/20
Contact: Moise Cocauthrey
Email: myao@ecobank.com

Accra

GCB Bank Limited
Share Registry Department
Thorpe Road, High Street
P. O. Box 134, Accra-Ghana
Tel: (233) 0 302 668 656
Fax: (233) 0 302 668 712
Contact: Michael K. Wereko
mwereko@gcb.com.gh
shareregistry@gcb.com.gh

Lagos

Greenwich Registrars and
Data Solutions Limited
274 Murtala Mohammed Way
Yaba, Lagos
Tel: +234 (01) 2793168
+234 (01) 2793160-2
Email: info@gtlregistrars.com
Website: www.gtlregistrars.com

To buy or sell shares in ETI

Nigeria
EDC Securities Limited

EDC Securities Limited
19A Adeola Odeku Street
Victoria Island
Lagos, Nigeria
Tel: (234) 1 270 8955
(234) 1 271 3407
EDC-clientservice-ng@ecobank.com

Côte d'Ivoire
EDC Investment Corporation

Avenue Houdaille,
Place de la République,
Plateau Imm. Ecobank,
2ème étage
01 BP 4107 Abidjan 01 – C.I.
Tel: +225 20 21 50 00/72
+225 20 21 50 00/20
Email: eic@ecobank.com

Cameroon
EDC Investment Corporation

2ème Etage, Immeuble ACTIVA
Rue Prince de Galles, Akwa
BP 15385 Douala – Cameroon
Tel: (237) 233 43 13 71
Contact: edcceeac@ecobank.com

Ghana
EDC Stockbrokers Ltd

2nd Floor, 2 Morocco Lane,
Off Independence Avenue,
Ministerial Area, P. O. Box AN16746
Accra – Ghana
Tel: +233 302 610 400 / 302 634 165
Email: edctrading@ecobank.com

Other investor queries

For other queries about investing in ETI shares:

Ecobank Transnational Incorporated

Investor Relations

2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03
Fax: (228) 22 21 51 19
Contact: Ato Arku
ir@ecobank.com

Company Secretary

Madibinet Cisse
2365, Boulevard du Mono
B.P. 3261, Lomé – Togo
Tel: (228) 22 21 03 03
(228) 22 21 31 68
Fax: (228) 22 21 51 19
Contact: madicisse@ecobank.com

CUSTOMER CONTACT SERVICES

Services we provide

Account services	• Balance enquiry • Account restriction • Transaction confirmations • Transfer confirmations
Card services	• Card activation for online transaction • PIN reset • Card blocking
Complaints	• ATM and POS complaints • Card complaints • Transaction complaints • Service/product delivery days • Staff attitude
General enquiries	• Information on Ecobank services/products • Interest rates and FX rates • ATMs and branch locations • Branch contacts • Account opening requirements • Fees and charges

Your satisfaction matters. If you have any enquires and customer complaints, please call one of the phone numbers in our Regional Contact Centres listed in the table below or email us at ecobankenquiries@ecobank.com. For further information please visit our website **www.ecobank.com**

Country	Main Number	Premier Number	Toll Free
Benin	+229 21 31 50 30		
Burkina Faso	+226 25 32 79 00	+226 25 32 79 79	
Burundi	+257 22 28 03 92		
Cameroon	+237 233 505 300	+237 233 505 350	
Congo (Brazzaville)	+242 058 020 100		
Congo (Democratic Republic)	+243 996 016 000		
Côte d'Ivoire	+225 21 21 00 21		800 80 088
Gabon	+241 01 79 17 00		
Ghana	+233 302 213 999	+233 30 702 0717	3225
Guinea Bissau	+245 965 296 800		
Guinea Conakry	+224 664 100 100		
Kenya	+254 719 098 000		
Liberia	+231 881 506 900	+231 880 325 989	
Mali	+223 44 97 94 44	+223 44 97 94 49	
Mozambique	+258 21 34 13 00		
Niger	+227 20 73 13 60	+227 20 73 13 73	
Nigeria	+234 700 500 0000 +234 708 065 3700 +234 1 270 1323	+234 700 Premier +234 700 773 6437 +243 700 Advantage	
Rwanda	+250 788 161 000		
Senegal	+221 33 84 92 300		
Sierra Leone	+232 88 32 63 26		
Tanzania	+255 746 810 480		
Togo	+228 22 53 76 50		
Zimbabwe	+263 242 858 404		

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